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eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

DISCLOSEABLE TRANSACTION

MEMORANDUM OF COOPERATION

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DEFINITIONS

In this circular the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

“Big Honor”	Big Honor Investment Limited, a private company incorporated in Hong Kong in 1988, of which Mr. Lam Kin Ming, a Director, is a director and the controlling shareholder
“Board”	the board of directors of the Company
“C\$”	Canadian dollars
“Company”	eSun Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Directors”	director(s) of the Company
“EAE”	East Asia Entertainment Limited, an indirect wholly-owned subsidiary of the Company
“Earnest Money”	HK\$46 million to be paid by the Proposed Partner to the Project Leader as earnest money for the acquisition of the Participation Rights
“Formal Agreement”	the formal cooperation agreement to be entered into by the parties no later than July 2005 or such later date as may be agreed between the parties (subject to the completion of the respective obligations of the parties under the Memorandum) in respect of the granting of the Participation Rights containing detailed terms of cooperation between the parties
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s)
“Latest Practicable Date”	2nd December, 2004
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LSD”	Lai Sun Development Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange

DEFINITIONS

“LSG”	Lai Sun Garment (International) Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“Memorandum”	the memorandum of cooperation dated 15th November, 2004 entered into between the Project Leader and the Proposed Partner in respect of the Proposed Transaction
“Participation Rights”	the subject matter of the Proposed Transaction, which refers to the rights to be granted by the Project Leader to the Proposed Partner no later than July 2005 or such later date as may be agreed between the parties (subject to the completion of the respective obligations of the parties under the Memorandum) allowing the Proposed Partner to contribute to and share 40% of the development costs and profit of the Project
“Project”	a proposed property development project on the Site to construct around 30 residential detached houses with a total site area of approximately 20,000 sq m.
“Project Leader”	East Asia — Televisão por Satélite, Limitada, a company incorporated in Macau with limited liability, which is an indirect wholly-owned subsidiary of the Company
“Proposed Partner”	Lai Fung Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Proposed Transaction”	the granting of the Participation Rights by the Project Leader to the Proposed Partner pursuant to the terms of the Formal Agreement as disclosed in this circular and other terms as the parties may agree under the Formal Agreement
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“Shareholders”	means shareholders of the Company
“Site”	a piece of land with an area of approximately 20,000 sq m situated within Zona de Aterro entre Taipa e Coloane Lotes G300, G310 e G400, Estrada Flor de Lotus, Taipa, Macau ^{Note}

DEFINITIONS

Note: “Zona de Aterro entre Taipa e Coloane Lotes G300, G310 e G400, Estrada Flor de Lotus, Taipa, Macau” is the description of a piece of land located at the reclamation area between Taipa and Coloane in Macau with an area of approximately 141,000 sq m. The Site is situated within this piece of land.

“sq m”

stands for “square metre”

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“subsidiary”

shall have the meaning as defined in the Companies Ordinance of Hong Kong, Chapter 32 of the laws of Hong Kong

LETTER FROM THE BOARD



eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

Executive Directors:

Lien Jown Jing, Vincent (*Chairman*)

Lee Po On (*Chief Executive Officer*)

Lam Kin Ngok, Peter

Liu Ngai Wing

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Non-executive Directors:

Lam Kin Ming

Tam Wai Chu, Maria

U Po Chu

Shiu Kai Wah

Chiu Wai

Principal Office:

11/F Lai Sun Commercial Centre

680 Cheung Sha Wan Road

Kowloon

Hong Kong

Independent non-executive Directors:

Mr. Alfred Donald Yap

Mr. Low Chee Keong

Mr. Tong Ka Wing, Carl

6th December, 2004

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION MEMORANDUM OF COOPERATION

INTRODUCTION

On 15th November, 2004, the Project Leader, an indirect wholly-owned subsidiary of the Company, entered into a binding memorandum of cooperation with the Proposed Partner in respect of the granting in principle by the Project Leader to the Proposed Partner a right to participate in the development and profit distribution of a proposed residential properties

LETTER FROM THE BOARD

project in Macau. Pursuant to the memorandum of cooperation, the parties will, subject to the satisfaction of certain conditions, enter into a formal cooperation agreement no later than July 2005 (or such later date as may be agreed between the parties) in respect of the project.

The proposed transaction under the memorandum of cooperation may or may not proceed. Based on the information available at present, the proposed transaction constitutes a discloseable transaction of the Company under the Listing Rules. On 17th November, 2004, the Company issued an announcement about the memorandum of cooperation. This circular is to give you information regarding, amongst other things, further details of the memorandum of cooperation. The Company will issue further announcement upon the signing of the formal cooperation agreement.

THE MEMORANDUM

Date: 15th November, 2004

Parties

1. the Project Leader
2. the Proposed Partner

As at the Latest Practicable Date, LSD and its wholly-owned subsidiaries hold approximately 42.54% interest of the Company. LSG and its wholly-owned subsidiary, hold approximately 42.25% interest of LSD.

As at the Latest Practicable Date, LSG and its wholly-owned subsidiary hold in aggregate approximately 45.13% interest of the Proposed Partner.

As at the Latest Practicable Date, Mr. Lim Por Yen is a director of LSG, the Proposed Partner and LSD. Mr. Lim retired from the board of directors of the Company effective from 25th May, 2004. Mr. Lim together with his wife Madam U Po Chu (holding approximately 0.26%) holds approximately 33.99% interest of LSG. He also owns approximately 1.96% and 5.28% interest of the Proposed Partner and LSD respectively.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquires, other than the relationship described above, the Proposed Partner and its substantial shareholders are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Consideration

A sum of HK\$46 million shall be paid by the Proposed Partner to the Project Leader in two installments as earnest money for allowing the Proposed Partner to participate in the Project.

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Major Terms

The Memorandum sets out the major terms and binding intention of the parties to negotiate and enter into the Formal Agreement which will contain detailed terms of the Proposed Transaction. The Memorandum constitutes a legally binding agreement on the parties to the extent that the parties are contractually bound to perform their respective obligations and entitled to exercise their respective rights under the Memorandum. If one party fails to fulfill its obligations as specified in the Memorandum, the other party is entitled to enforce its right through legal action. The major terms of the Memorandum are:

1. the Project Leader has in principle, granted the Participation Rights to the Proposed Partner, allowing the Proposed Partner to contribute to and share 40% of the development costs and profit of the Project;
2. the Proposed Partner has paid to the Project Leader the first installment of the Earnest Money in the sum of HK\$15 million when the Memorandum is signed;
3. the balance of the Earnest Money in the sum of HK\$31 million shall be paid by the Proposed Partner to the Project Leader within 4 months from the date the information about the Proposed Transaction is disclosed according to the Listing Rules; in the event that the relevant disclosure and/or approval requirements in respect of the Memorandum under the Listing Rules are not completed by the parties within this four-month period, the Proposed Partner shall be entitled to request the Project Leader to change the terms of the Proposed Transaction or request the Project Leader to refund to the Proposed Partner the amount of the Earnest Money received (without interest);
4. the Project Leader shall obtain from the relevant land and / or building supervising department of the Macau government the relevant licence or approval for the design of works of the Project no later than June 2005 (or such later date as the Proposed Partner may agree); in the event that the Project Leader fails to obtain such licence or approval before the prescribed time, the Proposed Partner shall have the right during the period from 1st to 31st July, 2005 to withdraw from the Proposed Transaction and request the Project Leader to refund the Earnest Money (without interest); in the event that the Proposed Partner does not exercise such right within the prescribed time, such right will lapse and the Proposed Partner will then not be able to withdraw the Earnest Money; and
5. after the Project Leader obtains the relevant governmental licence or approval for the design of works of the Project, the Proposed Partner shall serve a written notice to the Project Leader in early July 2005 to confirm the Proposed Transaction and the parties shall enter into the Formal Agreement within 14 days (or such later date as may be agreed between the parties) from the date of such notice.

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Assuming the parties complete their respective obligations under the Memorandum, the Formal Agreement will be entered into no later than July 2005 (or such later date as may be agreed between the parties). If the relevant disclosure and/or approval requirements in respect of the Memorandum under the Listing Rules are not completed by the parties within four months from 17th November, 2004 or the Project Leader fails to obtain the relevant governmental licence / approval for the design of works of the Project by June 2005, the Proposed Partner shall have the right to withdraw from the Proposed Transactions. In that event, the parties will not enter into the Formal Agreement and the Proposed Transactions will not proceed.

BACKGROUND INFORMATION

The Company is an investment holding company with interests in subsidiaries and associates. The Group's business interests mainly include a 100% interest in satellite television operations, entertainment and related activities. It also currently owns approximately 38% shareholding interest in an associate, Media Asia Entertainment Group Limited, a company incorporated in Bermuda, which has recently been listed on the Singapore Exchange Securities Trading Limited, Dealing and Automated Quotation System. Media Asia Entertainment Group Limited is engaged in films production and distribution. The Project Leader is an indirect wholly-owned subsidiary of the Company. It is principally engaged in satellite television operations and is the holder of the land-use right of a piece of land at the reclamation area between Taipa and Coloane in Macau with a site area of approximately 141,000 sq m. The Site is situated within this land.

The Project Leader obtained the land-use right in respect of the Site and its adjacent land from the Macau Government in October 2001 under a contract for a term of 25 years commencing from 17th October, 2001 renewable for further terms up to 19th December, 2049. The Project will be situated on the Site. The Site is designated for residential purpose. The residential detached houses under the Project will be for sale or lease depending on the property market conditions upon completion of the Project. For reasons mentioned below, it is premature to estimate the total development or potential development costs of the Project.

REASONS FOR THE PROPOSED TRANSACTION

The principal activities of the Proposed Partner and its subsidiaries are property development for sale and property investment for rental purposes in the mainland of China. The property portfolio of the Proposed Partner and its subsidiaries currently includes Hong Kong Plaza in Shanghai, Eastern Place, in Guangzhou, and a number of development projects in progress or under planning in Guangzhou, Zhongshan and Shanghai. The Proposed Partner and its subsidiaries have extensive experience in the development of residential properties.

It is planned that the Proposed Partner will contribute to and share 40% of the development costs and profit of the Project respectively and will also become the project manager of the Project in accordance with the terms of the Formal Agreement. The cooperation between the parties may be effected through the setting-up of a joint-venture company or through contractual

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arrangement between the parties. The detailed terms of cooperation, rights and obligations of the parties (including the remuneration payable to the Proposed Partner in its capacity as project manager and the basis of calculation thereon) will be included in the Formal Agreement. The Company will issue further announcement and comply with the relevant requirements under Chapter 14 of the Listing Rules upon the signing of the Formal Agreement.

The Board considers that the introduction of a partner with extensive experience in property development should complement the local experience of the Project Leader in Macau, the Project Leader being a company incorporated and having its business based in Macau. The participation of a potential joint-venture partner should also help minimize the financial and business exposure of the Company in the Project whilst allowing the Company to retain a majority interest of 60% in any potential upside of the Project.

The amount of the Earnest Money and the payment terms are determined after arm's length negotiation between the parties. The amount of the Earnest Money is also determined with reference to the valuation of the Site made by an independent valuer, Chesterton Petty Limited, who estimates that the market value of the Site is approximately HK\$115 million in its existing vacant state as at November 2004. The Earnest Money received will be applied as working capital of the Group. Since the Earnest Money is paid to the Group for the granting of the Participation Rights in the Project to the Proposed Partner, the Earnest Money will be accounted for as income from the Project in the financial year ending on 31st December, 2005 after the Formal Agreement is signed. As it is in a relatively early stage of development, critical information for estimating the development costs such as the main theme and design of the Project, the conditions imposed on the Project by the government (if any), supporting infrastructure and facilities to the Site, are not yet determined or available. Therefore, the amount of the Earnest Money was determined without making any reference to the development or potential development costs of the Project. As it is premature to estimate the total development costs of the Project and the potential capital commitments of the parties, the parties are yet to agree on the amount of capital commitment (whether equity, loan or otherwise) or to provide any indemnity or guarantee. In the event that the Company becomes aware of any circumstances that it is required to make further disclosure or take other action according to the Listing Rules due to the scale of the capital commitment to the Project, further disclosure will be made in accordance with the Listing Rules.

In view of the above, the Directors believe that the terms of the Memorandum to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

GENERAL

The Proposed Transaction under the Memorandum may or may not proceed. Based on the information available at present, the Proposed Transaction constitutes a discloseable transaction of the Company under the Listing Rules. On 17th November, 2004, the Company issued an

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announcement about the Memorandum. This circular is to give you information regarding, amongst other things, further details of the Memorandum. The Company will issue further announcement upon the signing of the Formal Agreement.

FURTHER INFORMATION

Your attention is also drawn to the appendix to this circular.

Yours faithfully,
For and on behalf of the Board of
eSun Holdings Limited
Lien Jown Jing, Vincent
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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 in this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS

(a) Interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be 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 which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein (the “Register”); or (c) were required, pursuant to the Code for Securities Transactions by Directors adopted by the Company and the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Capacity	Approximate percentage of	
					Total	issued shares
Lien Jown Jing, Vincent	931,800	Nil	Nil	Beneficial owner	931,800	0.14%
Lee Po On	5,195,934	Nil	Nil	Beneficial owner	5,195,934	0.77%
Liu Ngai Wing	3,321,215	Nil	Nil	Beneficial owner	3,321,215	0.49%
U Po Chu	Nil	285,512,791 (Note)	Nil	Beneficial owner	285,512,791	42.54%

Note:

Madam U Po Chu was deemed to be interested in 285,512,791 shares in the Company by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen. LSD and its wholly-owned subsidiaries beneficially owned 285,512,791 shares in the Company. LSG and its wholly-owned subsidiary held an interest of approximately 42.25% in the issued ordinary share capital of LSD. Mr. Lim Por Yen was deemed to be interested in such shares in the Company by virtue of his interest (including that of his spouse) of approximately 33.99% in the issued share capital of LSG.

Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and Madam U Po Chu were directors of LSG and held in aggregate an interest of approximately 42% in the issued share capital of LSG.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation which were recorded in the Register or otherwise required to be notified to the Company and the Stock Exchange.

(b) Directors' interests in competing business

As at the Latest Practicable Date, the following Director is considered to have interests in business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules:

Mr. Lam Kin Ming is a director and the controlling shareholder of Big Honor, a private company incorporated in Hong Kong in 1988, the principal activities of which are the production of pop concerts. Big Honor has not been actively participating in arranging entertainment events in the past twelve months. On the other hand, EAE being an indirect wholly owned subsidiary of the Company, has been actively engaged for the past few years in the business of operation of entertainment events and production of pop concerts, which are of a similar nature to the business of Big Honor. Although the business of Big Honor and EAE are of a similar nature and may compete with each other, given the limited scope and scale of the operation of Big Honor and that Mr. Lam Kin Ming does not have any directorship or management role in EAE, the Directors consider that Mr. Lam Kin Ming's interest in Big Honor does not have any significant impact on the business of the Group.

As the Board is independent from the board of Big Honor and Mr. Lam Kin Ming does not control the Board nor is he a director of EAE, the Group is capable of carrying on its business independently of, and at arm's length from the business of, Big Honor. Subject to the exceptions as specified in the bye-laws of the Company, Mr. Lam Kin Ming shall not vote (nor be counted in the quorum) on any Board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest.

Save as disclosed above, none of the Directors or his associates has an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

(c) Services contracts

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

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, the following persons, some of whom are Directors or former Directors of the Company, have the following interests in the shares and underlying shares of equity derivatives of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares

Name of Shareholder	Capacity	Nature of Interests <i>(Note 1)</i>	Number of Shares	Percentage
LSD	Beneficial owner	Corporate	285,512,791 <i>(Note 2)</i>	42.54%
LSG	Beneficial owner	Corporate	285,512,791 <i>(Note 3)</i>	42.54%
Lim Por Yen	Beneficial owner	Corporate	285,512,791 <i>(Note 4)</i>	42.54%
U Po Chu	Beneficial owner	Family	285,512,791 <i>(Note 5)</i>	42.54%
Lai Yuen Fong	Beneficial owner	Family	285,512,791 <i>(Note 6)</i>	42.54%
Silver Ace Limited	Beneficial owner	Corporate	46,425,600 <i>(Note 7)</i>	6.92%

Name of Shareholder	Capacity	Nature of Interests (Note 1)	Number of Shares	Percentage
Lagonda Resources Limited	Beneficial owner	Corporate	46,425,600 (Notes 7 and 8)	6.92%
Li Chi Keung	Beneficial owner	Corporate and family	46,425,600 (Notes 7 and 9)	6.92%
Wong Hoi Ping	Beneficial owner	Corporate and family	46,425,600 (Notes 7 and 10)	6.92%
Lovendale International Inc.	Person having a security interest in shares	Corporate	285,512,791 (Note 7)	42.54%
Onshine Finance Limited	Person having a security interest in shares	Corporate	100,000,002 (Note 7)	14.90%

Notes:

1. Family and corporate denote family interest and corporate interest respectively.
2. This interest has been pledged to a non-qualified lender by way of security.
3. These interests in the Company were held by LSD and its subsidiaries. LSG was deemed to be interested in the 285,512,791 shares in the Company held by LSD and its subsidiaries by virtue of LSG and its wholly-owned subsidiary holding collectively an interest of approximately 42.25% in the issued ordinary share capital of LSD.
4. Mr. Lim Por Yen was deemed to be interested in such shares in the Company by virtue of his interest (including that of his spouse) of approximately 33.99% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and Madam U Po Chu were directors of LSG and held in aggregate an interest of approximately 42% in the issued share capital of LSG.
5. Madam U Po Chu was deemed to be interested in 285,512,791 shares in the Company by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
6. Madam Lai Yuen Fong was deemed to be interested in 285,512,791 shares in the Company by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
7. Persons falling under the category of "Other Persons" in Practice Note 5 of the Listing Rules.
8. Lagonda Resources Limited was taken to be interested in 46,425,600 shares in the Company beneficially owned by Silver Ace Limited due to its corporate interests therein.
9. Mr. Li Chi Keung was taken to be interested in 46,425,600 shares in the Company by virtue of his corporate and family interests in Silver Ace Limited.

10. Ms. Wong Hoi Ping was taken to be interested in 46,425,600 shares in the Company by virtue of her corporate and family interests in Silver Ace Limited.
11. Mr. Lam Kin Ngok, Peter, a Director, is also a director of LSD and LSG.
12. Mr. Lam Kin Ming, Madam U Po Chu, Mr. Chiu Wai and Mr. Shiu Kai Wah being Directors, are also directors of LSD and LSG.
13. Mr. Lee Po On, the chief executive officer of the Company and a Director, is also a director of LSG.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, no other person has an interest or short position in the shares and underlying shares of equity derivatives of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in ten per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. EXPERT STATEMENT

The qualification of the expert who valued the Site is as follows:

Name	Qualification
Chesterton Petty Limited (the “Expert”)	Chartered surveyors and independent valuers

The Expert has no shareholding in any member of the Group and has no right to subscribe for or to nominate persons to subscribe for shares in any member of the Group. The valuation statement was made on 8th November, 2004 and was not made for incorporation in this circular. The Expert has given and has not withdrawn its written consent to the issue of this circular with the expert statement included in the form and context in which it is included.

5. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, the Group is engaged in the following litigation or claims or settlement of claims which are of material importance to the Group:

- (a) In 2002, the Group settled an action commenced by Canadian Pacific Hotels Corporation (the “Purchaser”) regarding a disposal of its 50% interest in Delta Hotels Limited. Pursuant to the terms of the settlement, part of purchase price that was held back as security for claims by the Purchaser was released to the Group, leaving approximately C\$1.7 million (equivalent of approximately HK\$9.9

- million) in a further escrow account (the “Escrow Money”) for one year pending the expiry or resolution of other adverse claims. It was reported in the 2003 annual report of the Company that the Directors consider that the Escrow Money would be received upon the expiry of the said one year period, and no provision for doubtful debts was required. Since then, the Group has received C\$1,650,000 (equivalent of approximately HK\$10.6 million) of the Escrow Money, and the balance would be paid out in December 2004, pending any adverse claims that may be raised during the extended period.
- (b) In 2002, a writ of summons was issued in the Court of First Instance by EAE, a wholly-owned subsidiary of the Company, and Active Union Limited (“AUL”), a 70% owned subsidiary of the Company, against Australasian Entertainment Corporation Limited (“AEC”), the minority shareholder of AUL and other related parties claiming, inter alia, loss and damages (amounts to be assessed) suffered in holding an entertainment show known as “Spectaculum”. AEC counterclaimed the unsettled expenditure incurred in the show in the sum of HK\$1,486,779. The action has been inactive since 2003. AEC is currently under winding-up by creditors and the Directors will continue to review the situation for any further action. Provisions have been made in respect of the loss suffered by EAE in 2002. The Directors consider that the counterclaim of AEC in the sum of HK\$1,486,799 should have no material adverse effect on the Group and no provision for the claim is required at this stage.
- (c) In 2002, a writ of summons was issued in the Court of First Instance by Glynhill International Limited (“GIL”), a wholly-owned subsidiary of the Company, against two defendants, Belford Pacific Limited and Tse Wan Chung Philip (“Mr. Tse”), for a sum of US\$156,900 (approximately HK\$1,223,820) plus interest, being a loan (the “Loan”) owed by the two defendants and assigned by the original lender of the loan in favour of GIL. Full provision for the Loan was made in the Group’s financial statements in the prior year. In 2003, the Group had obtained judgment in default of a defence against Mr. Tse and Mr. Tse has agreed to make periodic payments in settlement of the Loan. In 2003, a total of HK\$84,000 was received from Mr. Tse. As at 31st October, 2004, a total of HK\$140,000 was further received from Mr. Tse.
- (d) On 8th June, 2004, a pre-action demand letter was issued by Mr. Wong Ching Wa Bangi (the “Claimant”) against EAE, seeking damages for personal injuries allegedly sustained in an accident on 2nd May, 2002 at the Hong Kong Coliseum. EAE was sued as the organiser of a concert “Sandy in Concert 2002” as well as being the occupier of the Hong Kong Coliseum at the time of the accident. The Claimant has also issued pre-action letters to his direct employer as well as the agent of EAE. As at the Latest Practicable Date, no negotiation or legal action has been commenced. Therefore, the Directors consider that it is not appropriate

to include any specific amount of the potential claim in this circular. The Directors also consider that the potential claim, if held liable in the said proceedings, should have no material adverse effect on the Group and no provision for the claim is required at this stage.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. GENERAL

- (a) The company 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 the Hong Kong Securities Institute.
- (b) The qualified accountant of the Company is Miss Tam Mi Hing, Maria, who is the financial controller of the Group. Miss Tam is a Fellow of the Association of Chartered Certified Accountants and a Fellow of the Hong Kong Institute of Certified Public Accountants.
- (c) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.