

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

VOLUNTARY ANNOUNCEMENT

This announcement is made by eSun Holdings Limited (the “Company”) on a voluntary basis. The purpose of this announcement is to keep the shareholders and potential investors of the Company informed of the impact of the reorganisation involving shares in the capital of Lai Fung Holdings Limited and Lai Sun Development Company Limited (“Reorganisation”).

Group Director of Corporate Finance, Mark Cheung and Senior Vice President and General Counsel, Allan Li of Lai Sun Group outline the benefits of the Reorganisation and the outlook of the Macao Studio City project in a meeting with Corporate Focus (HK) Limited. The questions and answers are set out in the attachment to this announcement.

By Order of the Board
eSun Holdings Limited
Goh Soon Khian
Company Secretary

Hong Kong, 29 September 2010

As at the date of this announcement, the executive directors of the Company are Mr. Lam Kin Ngok, Peter, Miss Leung Churk Yin, Jeanny, Mr. Cheung Wing Sum, Ambrose and Mr. Lui Siu Tsuen, Richard; the non-executive directors are Mr. Low Chee Keong, Madam U Po Chu, Mr. Lo Kwok Kwei, David and Mr. Albert Thomas da Rosa, Junior; and the independent non-executive directors are Mr. Tong Ka Wing, Carl, Mr. Alfred Donald Yap and Dr. Ng Lai Man, Carmen.



eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

Questions and answers concerning the benefits of the Group Restructuring and the outlook of the Macao Studio City project provided by Corporate Focus (HK) Limited and Group Director of Corporate Finance, Mr. Mark Cheung and Senior Vice President and General Counsel, Mr. Allan Li of Lai Sun Group

Corporate restructuring has impacted and transformed vast numbers of companies around the world. In practical terms, restructuring may involve reducing or renegotiating the firm's department, cutting operating expenses, altering the firm's portfolio of business by selling or acquiring assets or changing the firm's equity ownership structure. Generally, firms restructure—even in good economic times—to improve their financial performance, exploit new strategic opportunities and improve their public market valuations which benefit the shareholders ultimately.

Corporate Focus (HK) Limited (☒), talked to Group Director of Corporate Finance, Mark Cheung and Senior Vice President and General Counsel, Allan Li of Lai Sun Group, a renowned enterprise, about the impact of restructuring to the Group and update on the Macao Studio City project.

☒ What is the main purpose of the Shares Swap transaction? How could the Group and shareholders benefit from the Shares Swap transaction?

A. The ultimate purpose of any form of company restructuring is to create shareholder value, and that is precisely the primary focus of this restructuring exercise. We can accomplish this objective by unlocking the cross-shareholding between LSD and eSun.

The cross-shareholding has created a lot of accounting inefficiencies and has made it very confusing for investors to fully comprehend the intrinsic value of LSD, eSun, and the other two listed companies.

We believe that shareholders of LSG, LSD, eSun and Lai Fung will benefit from this restructuring. And the reasons are:

(a) It enables all four listed companies in the group to engage in a wider array of capital markets activities, and by that I mean, both equity capital markets and debt capital markets transactions to raise funding for the Group.

- (b) It allows the LSG group to equity account for its stake in LSD. LSG group has historically owned 11.25% of LSD, and after the Shares Swap, will bring its shareholding interests up to almost 48%.
- (c) With the cross-shareholding in place, LSD being a HK incorporated company would be barred from increasing its stake in eSun beyond 50%. Going forward, we have a lot more flexibility in looking at future Group restructuring exercises.
- (d) It also allows LSG and eSun to recognise a gain on the disposal of the Lai Fung and the LSD stakes respectively.

Last but not least, we are hoping that the unlocking of the cross-shareholding will lead to an increase in liquidity of our shares, and also a re-rating of each of the companies with the view of narrowing the discount between the market price and the underlying NAVs of the respective companies.

 Is the Shares Swap transaction designed to tighten the control of the group companies thereby avoiding another Passport Capital conflict? (Passport had held an approximate 29% shareholding in eSun and issued an injunction for eSun to issue shares to another independent party.)

- A. The Shares Swap transaction has to a certain extent tightened the Lam Family's control over the listed group although the resultant group structure is by no means bid proof especially since neither the Lam Family nor the Lam Family together with any of LSG, LSD, or eSun own more than 50% shareholding interest in any of the listed companies.

If there is a hostile party wanting to accumulate shares in any of our listed vehicles to mount a hostile takeover, they can still do so. Having said that, the restructuring has made it more difficult for a hostile investor to build a substantial stake and then mount a hostile takeover in any of the listed companies.

It should be noted that the tightening of control over the listed Group is only a by-product. It is not the main purpose of the restructuring exercise, which is to create shareholder value for all.

As far as we are aware, Passport is currently no longer a substantial shareholder (note: same meaning as defined under the Listing Rules) as they have filed a notice on 30 April indicating that they have sold off their approximately 29% stake in eSun.

 Why would LSG want to trade its investment in Lai Fung, which is a predominantly a mainland property player, for increased shareholding interests in Lai Sun Development, a HK property player?

- A. It should be noted that LSG has had an investment in LSD prior to the reorganisation proposal and LSG has always adopted the view that its stake in LSD is held for the long term. Management sees this as an opportunity to increase its shareholding in LSD via the Shares Swap.

LSG's management is also very confident about the prospects of LSD, which has announced an interim profit of HK\$1.3 billion for the six months ended 31 January 2010, and has given a positive profit alert in August and is expected to announce an improvement in its results for the financial year ended 31 July 2010.

LSD itself has a very attractive portfolio of investment properties in Hong Kong that yield a steady stream of rental income; this is very attractive from the perspective of LSG.

Shareholders should not forget that the main rationale for the Group Reorganisation is to create shareholder value through unwinding the cross-shareholding between eSun and LSD.

 Has LSG taken into account the recent Hong Kong government policies on the cooling of the Hong Kong property market when deciding on the timing of this Shares Swap transaction?

A. The short answer is, yes we have. The recent HK government policies primarily focused on slowing down the rate of increase in residential property prices. But it should be noted that LSD has historically derived a majority of its revenue from property investment activities. LSD itself, as I mentioned in an earlier question, has a very attractive investment property portfolio that comprises mainly Grade A office buildings and commercial/retail podiums. Consequently, LSD is, to a large extent, less affected by the recent HK government policies because they were aimed at the residential sector.

It is expected that LSD will in the foreseeable future, continue to derive a majority of its income from its portfolio of investment properties. LSD will continue to look out for the right opportunities to engage in property development opportunities in Hong Kong.

We currently have two ongoing development projects that are in the residential sector. One is the Oakhill project, and the other is Emerald 28. For the Oakhill project, we had a pre-sale launch in August of this year, and the reception had been fantastic. The sales prices per unit are better than we initially thought, and we have been able to sell as many units as we have originally hoped to sell during the pre-sale launch. So I don't think the government policies have really affected us that much. As regard the Emerald 28 project, it is still early days and we've also launched a pre-sale in the third quarter of this year. Time will tell whether these policies will affect the residential projects of ours.

 Given the uncertainties surrounding the property sectors in Hong Kong and the mainland, (a) why does Lai Sun Garment think this is an appropriate time to propose the Shares Swap transaction, and (b) have Lai Sun Garment and eSun taken into account the respective uncertainties in the two markets when arriving at the consideration of this Shares Swap?

A. We are the last remaining listed group in Hong Kong with a cross-shareholding structure. The main purpose of the Group Reorganisation is to release the embedded shareholder value that is locked up in the cross-shareholding.

The adjusted net asset value of the Lai Fung Group and the LSD Group based on the current fair market values of the underlying property interests of the respective companies are approximately HK\$9.5 billion and HK\$10.1 billion respectively as at 31 May 2010. On the other hand the current market capitalization of Lai Fung and LSD is approximately HK\$2.2 billion and HK\$2.5 billion respectively; this represents a discount of approximately 77% and 75% to the underlying adjusted NAV of the respective companies.

Since both companies are of similar size and are trading at approximately the same relative discount to their underlying adjusted net asset value, the directors believe that this represents as good a time as any to dismantle the cross-shareholding between LSD and eSun.

From a valuation perspective, since both Lai Fung and LSD's core businesses are property development and property investment, it is market norm to value such types of companies by reference to their respective adjusted net asset value. The adjusted net asset value of LSD and Lai Fung is determined by adjusting amongst other things, the fair market values of the underlying property interests of the respective companies. We have appointed independent valuers to determine the fair market values of the properties owned by the two companies. Looking at historical comparable transactions involving the sale of controlling stakes in listed property companies, you will note that almost all of these transactions are priced according to the fair market value of all these companies. And if you ask about the methodology adopted by the valuers, we believe they have taken into account the current market conditions of both markets and have adopted a very objective approach in determining the fair market values of these properties. The basis used by the valuers is consistent with both industry practice and also professional valuation standards.



The sale of the LSG shareholding in Lai Fung to eSun at a 358% premium (compared to its closing price on 23 July 2010) and the sale of the eSun shareholding in LSD to LSG at a 383% premium (compared to its last trade on 23 July 2010) seems to be set at a high price. It leads to a one-off gain of approximately HK\$1.48 billion to LSG. Was this transaction motivated to improve the LSG bottom line and was it designed to recognize the true underlying values of the group companies?

- A. The market price of the LSD and Lai Fung shares are trading at a substantial discount to their respective adjusted net asset value. Accordingly, we do not believe that the market price of the respective companies' shares is a very good benchmark to use in determining the consideration for the Shares Swap transaction. Hence, the directors felt that it was more appropriate to value LSD and Lai Fung, both of which are property companies, by reference to the fair market values of their underlying property assets. Accordingly, the Lai Fung Consideration Price and the LSD Consideration Price have been determined by reference to the adjusted NAV of the respective companies as adjusted by, amongst other things, the fair market values of the underlying property assets of the respective companies. Although the consideration determined by this method is significantly higher than the market price, I don't think one should look at the magnitude of the premium to the current share price to decide whether the prices are high or low all property companies are valued by reference to the adjusted net asset value of the underlying assets.

 Will LSG consider jointly investing with LSD or Lai Fung on future projects?

- A. There is at present no joint-investment plan between LSG and LSD, or Lai Fung. But as the ultimate holding company of the Lai Sun Group, LSG will focus on its current businesses while maintaining direct exposure to the Hong Kong property market and indirect exposure to the PRC market through LSD and Lai Fung.

Notwithstanding the above, we believe that LSG is open to any future co-investment opportunity with LSD or Lai Fung, provided that the management of the respective companies considers it beneficial to the members of the Group and shareholders as a whole to do so.

The new shareholding structure resulting from this Reorganisation will pave the way for future joint cooperation with LSD and Lai Fung as well as enabling these companies to make more efficient use of the capital markets to raise funding for future large scale projects.

 How does the litigation with Passport affect eSun?

- A. The Passport litigation is a one-off action. In December 2008, eSun entered into a placing agreement for the placing of 120 million new shares at HK\$0.50 each and related warrants. On 22 December, Passport Capital, LLC, the former shareholder of eSun, obtained an interlocutory injunction to prevent the proposed placement from proceeding. The injunction and related interest led to a substantial increase in eSun's share price. As a result of the proceeding, eSun allowed the placement to lapse. The injunction has since been discharged, and the trial has been held. We expect the judgment to be handed down in the 4th quarter of this year. While our position is that the placement was properly approved by the eSun board, Passport has challenged that position and at issue is whether the injunction was wrongfully obtained by Passport. As this was a one-off action, there is nothing that prevents the eSun board from proceeding and convening any other fundraising exercises should the appropriate opportunity arise.

 Macao Studio City is regarded to be the most important project to eSun and expected to have a significant contribution to the company profit. However, the project has been locked in a legal battle between eSun and New Cotai since October of last year. How does it affect the opening schedule of Macao Studio City?

- A. We regard all our projects are important, but Macao Studio City is particularly important because by scale alone it is our largest investment. Secondly, because it allows the opportunity to work with our joint venture partners and the Macau government in respect of something special, very unique in Macau which, on completion, will be a landmark in a fast-developing environment.

The project as you know is now delayed because of the dispute which led to the litigation with our joint venture partner, New Cotai. As a result, we cannot give either a fixed date for the construction to commence, or a date for the scheduled completion. Should we be able to launch the construction, it will be two and a half to three years from the commencement of such construction for the project to become operational.

 What is the situation with the New Cotai litigation, and how does it affect eSun?

- A. The New Cotai litigation is a very complicated piece of litigation that has far-reaching impact on eSun's Macau investment. In the litigation, our subsidiary, East Asia Satellite Television (Holdings) Limited is the plaintiff. The timing and outcome of the case remain inherently uncertain, and the case could take several years to resolve. Our claims include claims for damages against New Cotai for breach of contract, and for inducing breaches of contract. East Asia also claimed that it has suffered unfairly prejudicial conduct concerning the operation of Cyber One Agents Limited, the joint venture entity through which the project is being conducted, in respect of which East Asia seeks an order that New Cotai be required to sell all of its shares to East Asia at a value to be determined by the Court. These proceedings are still at an early stage. On 16 July 2010, the High Court struck out some of the claims made by East Asia (and by the joint venture companies, on a derivative basis) made against individual directors appointed by New Cotai to the board of Cyber One. East Asia has filed an appeal in respect of the decision which is scheduled for hearing by the Hong Kong Court of Appeal in May 2011.

East Asia is also considering the merits of commencing proceedings in other jurisdictions, such as Macau and the British Virgin Islands in circumstances where the High Court has ruled that it will not entertain such proceedings.

The case is very complicated, and the timing and outcome remain inherently uncertain. New Cotai and two other defendants, New Cotai's shareholders, Silver Point Capital, L.P. and Oaktree Capital Management, L.P. have filed a statement of defence on 27 September 2010. If we do go to trial, this would not happen until late 2011 or perhaps 2012. Our directors have given due consideration to the risks involved in commencing the litigation and have chosen to accept them because of their firm conviction in the strength of our core claims. There is a strong belief that pursuit of a litigation strategy is a necessary step to protect the interests of the Company's shareholders and, ultimately, to preserve the potential of our Macao Studio City project.

Due to the ongoing nature of the litigation, it is inappropriate for us to give further information about the litigation. In the meantime, we would continue to explore all potential ways to resolve the dispute so that the project can proceed.

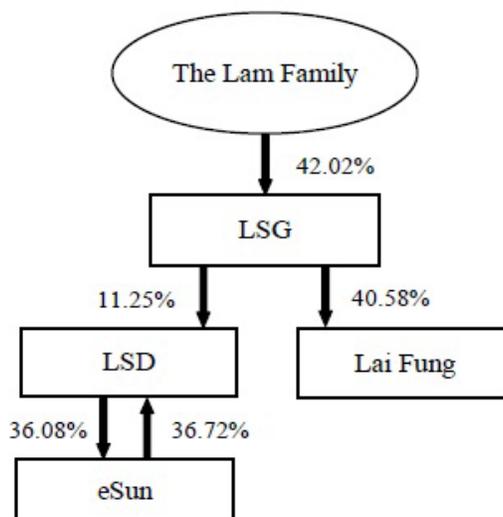
For further information, please contact Corporate Focus (HK) Limited on 25330946, info@corporatefocus.org.

Dated the 29th of September 2010

APPENDIX I : SHAREHOLDING STRUCTURE

Before the Reorganisation

The following reflects the simplified shareholding structure of the relevant companies as at the date of this announcement.



After the Reorganisation

The following reflects the simplified shareholding structure of the relevant companies upon Completion (assuming no changes in the issued share capital of any of the companies prior to Completion).

