



# LAI SUN DEVELOPMENT

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

## CONNECTED TRANSACTION DISPOSAL OF PROPERTY INTERESTS

The Directors are pleased to announce that MBE, a subsidiary of the Company, entered into the Agreement on 12th December, 2001 to dispose of the Sale Shares and the Shareholder's Loans at the Consideration to Global Lane. The sole asset of Deluxe View is the Property and, save and except the holding of the Property, Deluxe View carries on no other business.

As Global Lane is a wholly-owned subsidiary of Nan Fung, and Nan Fung is an associate of Mr. Chen, who is a substantial shareholder of the Company, the Disposal constitutes a connected transaction of the Company under the Listing Rules. However, as the Consideration falls within the *de minimis* rule as stipulated in Rule 14.25(1) of the Listing Rules, Shareholders' approval for the Disposal is not required. Further details of the Disposal will be included in the next published annual report and accounts of the Company.

### THE AGREEMENT DATED 12TH DECEMBER 2001

**Vendor:** MBE, which is owned as to 80% by the Company and 20% by KDC, and is the beneficial owner of the entire issued share capital of Deluxe View before Completion

**Purchaser:** Global Lane, a wholly-owned subsidiary of Nan Fung

**Guarantors of MBE:** The Company, holding 80% equity interest in MBE; and KDC, holding 20% equity interest in MBE

### Assets to be disposed of

The Sale Shares and the Shareholder's Loan

### Consideration

The Consideration is equivalent to an amount:

HK\$55,000,000 + (A-B)

Where:

"A" means the amount of assets of Deluxe View appearing in the Audited Completion Accounts, other than and excluding the Property; and

"B" means the amount of liabilities of Deluxe View appearing in the Audited Completion Accounts, other than and excluding the Shareholder's Loans.

For information only, based on the unaudited management accounts of Deluxe View, as at 31st July, 2001, the value of the assets of Deluxe View excluding the Property is HK\$6,379 and the amount of liabilities of Deluxe View excluding the Shareholder's Loan is HK\$152,318.

The Consideration was arrived at after arm's length negotiations among the parties to the Agreement, and has been determined with reference to a valuation certificate of the Property prepared by an independent valuer, dated 10th December, 2001, on the basis that the surrender and re-grant of the Property has been completed and that the New Grant has been issued. The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable, so far as the Company and all of its Shareholders are concerned.

Pursuant to the Agreement, MBE shall be responsible for the payment and settlement of the Premium out of the Retained Amount. Subject to the rights of MBE to appeal against the amount of the Premium for and on behalf of Deluxe View as provided in the Agreement, MBE shall pay and settle the Premium in accordance with the terms and conditions of the Agreement when the same shall have been assessed and determined by the Government.

### Payment terms

The Consideration will be payable as follows:

- a deposit in the sum of HK\$11,000,000 as deposit and as part payment of the Consideration shall be payable by Global Lane upon the signing of the Agreement, inclusive of the amount of HK\$2,200,000, a portion of the Kendervon Retained Amount, and such portion of the Kendervon Retained Amount shall be made payable to the Vendor's Solicitors and to be held by them as stakeholders in accordance with the Agreement, and the remaining amount of the deposit in the sum of HK\$8,800,000 shall be released to MBE (or as it may direct) upon the signing of the Agreement; and
- the balance of the Consideration shall be payable on Completion in accordance with the terms and conditions of the Agreement, inclusive of the Retained Amount and the amount of HK\$3,800,000, representing the remaining portion of the Kendervon Retained Amount, both of such amounts shall be made payable to the Vendor's Solicitors and to be held by them as stakeholders in accordance with the Agreement, and the remaining amount of the balance of the Consideration shall be released to MBE (or as it may direct) upon Completion.

The Vendor's Solicitors shall hold the Retained Amount as stakeholders to pay and settle the Premium in accordance with the Agreement.

The Vendor's Solicitors shall also hold the Kendervon Retained Amount as stakeholders as security for the proportionate guarantee of KDC and, subject to the deduction and payment in accordance with the Agreement, shall be released to the Vendor on the date on which the Premium shall be duly paid and settled with the Government by MBE.

### Conditions

Completion is conditional upon:

- all requisite consents to or approvals of any government and/or regulatory authorities or relevant third parties in Hong Kong or elsewhere which are required or appropriate for the entering into of the Agreement and the transactions contemplated thereby having been obtained by the Company;
- MBE having delivered to Global Lane evidence of all necessary release(s) which is/are required (if any) for the Property to be free from any encumbrance or third party rights;
- MBE having delivered to Global Lane a copy of the receipt issued by each counter-party of the Relevant Contracts showing final and full settlement of any outstanding balance due and owing by Deluxe View for services rendered by such counter-party under the Relevant Contracts; and
- all the warranties, representations and undertakings as set out in the Agreement remaining true and correct in all material respects as at the date of the Agreement and as at Completion.

If any of the above conditions is not fulfilled (or waived by Global Lane) at or before 5:00 p.m. on the Long Stop Date, either MBE or Global Lane may terminate the Agreement by notice in writing to the other of them to such effect.

### Guarantees

The Company and KDC executed the Agreement as guarantors to guarantee the due and punctual observance and performance by MBE of all MBE's obligations in accordance with the Agreement in favour of Global Lane on a several, but not a joint and several, basis. The liability of the Company and KDC in respect of any of the obligations of MBE under the Agreement shall be borne by the Company and KDC in the percentages of 80% and 20% respectively.

### Put Option

Pursuant to the Agreement, MBE will execute the Put Option Agreement on Completion as grantor granting the Put Option to Global Lane to require MBE to purchase from Global Lane the Sale Shares and the Shareholder's Loans at the Put Option Consideration during the Put Option Period.

The right of Global Lane to exercise the Put Option shall be conditional upon (i) there being no valid and subsisting offer by the Government to Deluxe View as at 5:00 p.m. on 1st May, 2002 which is open for acceptance by Deluxe View which, upon acceptance thereof by Deluxe View, upon the payment and settlement of the amount of the Premium stated therein and upon the surrender of the Property by Deluxe View to the Government pursuant thereto, Deluxe View shall be able to obtain the New Grant or (ii) the full amount of Premium as stated in the aforesaid offer is not accepted by the Government within the prescribed time limit mentioned in the aforesaid offer (other than due to the default of Global Lane in respect of the payment of the aforesaid Premium as provided in the Agreement or Deluxe View's failure to comply with the terms of the aforesaid offer).

The sale and purchase of the Sale Shares and the Shareholder's Loans pursuant to the Put Option shall be completed on the date falling 14 Business Days after MBE's receipt of the Put Option Notice.

The Company and KDC also executed the Put Option Agreement as guarantors to guarantee the due and punctual observance and performance by MBE of all MBE's obligations in accordance with the Put Option Agreement in favour of Global Lane on a several, but not a joint and several, basis. The liability of the Company and KDC in respect of any of the obligations of MBE under the Put Option Agreement shall be borne by the Company and KDC in the percentages of 80% and 20% respectively.

### INFORMATION ON DELUXE VIEW AND THE PROPERTY

The sole asset of Deluxe View is the Property and, save and except the holding of the Property, Deluxe View carries on no other business. Deluxe View is currently a wholly-owned subsidiary of MBE, and MBE is in turn owned as to 80% by the Company and 20% by KDC.

The loss before and after taxation of Deluxe View for the financial year ended 31st July, 2000 were HK\$76,000,000 and HK\$76,000,000 (based on the audited accounts of Deluxe View) and for the financial year ended 31st July, 2001 were HK\$17,793,985 and HK\$17,793,985 (based on the unaudited management accounts of Deluxe View). The deficiency in assets of Deluxe View amounted to HK\$ 93.8 million as at 31st July, 2001.

The Property comprises agricultural lands of a total area of approximately 72,133 square feet. The Property is held by Deluxe View under various Government leases in respect of different parts of the Property, all of which will expire on 30th June, 2047. According to a valuation certificate prepared by an independent valuer dated 10th December, 2001, the value of the Property, on the basis that the surrender and re-grant of the Property has been completed and that the New Grant has been issued, was HK\$55,000,000 as at 10th December, 2001.

Deluxe View has applied to the Government for the surrender of the Property in exchange for the New Grant. Subject to the payment of the Premium, the Government will issue and grant the New Grant to Deluxe View.

### REASONS FOR THE DISPOSAL

The Directors are of the opinion that the Property is a non-core asset of the Group and the Disposal is in line with the Group's continuing policy of disposing of non-core assets. The Directors intend to utilise the proceeds from the Disposal as working capital of the Group.

### GENERAL

The principal businesses of the Group include property development for sale, property investment for investment potential purposes, investment in and operation of hotels and restaurants and investment holding.

As Global Lane is a wholly-owned subsidiary of Nan Fung and Nan Fung is an associate of Mr. Chen, who is a substantial shareholder of the Company, the Disposal constitutes a connected transaction of the Company under the Listing Rules. However, as the Consideration falls within the *de minimis* rule as stipulated in Rule 14.25(1) of the Listing Rules, Shareholders' approval for the Disposal is not required. Further details of the Disposal will be included in the next published annual report and accounts of the Company.

### DEFINITIONS

"Agreement"	the agreement dated 12th December, 2001 and entered into by MBE, Global Lane, the Company and KDC
"associate(s)"	the meaning(s) ascribed to it by the Listing Rules
"Audited Completion Accounts"	the Completion Accounts as audited by the auditors of Deluxe View pursuant to the terms of the Agreement
"Business Day"	a day (including Saturday) on which banks are generally open for business in Hong Kong throughout their normal business hours
"Company"	Lai Sun Development Company Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed in the Stock Exchange
"Completion"	completion of the Disposal pursuant to the terms of the Agreement
"Completion Accounts"	the unaudited profit and loss accounts for the periods from (a) 1st August, 2000 to 31st July, 2001 and (b) 1st August, 2001 to the Completion Date and the balance sheet as at the Completion Date of Deluxe View to be prepared by MBE for delivery to Global Lane in accordance with the Agreement prior to Completion
"Completion Date"	the 7th Business Day immediately following the date on which the Conditions are fulfilled, or waived by the Global Lane (or such later date as MBE and Global Lane may agree in writing from time to time), provided that such date shall not be earlier than 12th January, 2002
"Conditions"	the conditions for Completion as set out in paragraph entitled "Conditions" under the heading of "Agreement dated 12th December, 2001" above
"Consideration"	the consideration for the Disposal as referred to in the paragraph entitled "Consideration" under the heading of "the Agreement dated 12th December, 2001" above
"Deluxe View"	Deluxe View Limited, a company incorporated in Hong Kong with limited liability and is currently a wholly-owned subsidiary of MBE

“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares and the Shareholder’s Loans by MBE to Global Lane pursuant to the Agreement
“encumbrance”	a mortgage, debenture, charge, pledge, lien, restriction, assignment or security interest of any kind or any other arrangement/agreement having the effect of conferring security (including, without limitation, a title transfer or retention arrangement)
Global Lane”	Global Lane Ltd., a company incorporated in the British Virgin Islands whose registered office is situate at Akara Bldg., 24 De Castro Street, Wickmans Cay I, Road Town, Tortola, British Virgin Islands, a wholly-owned subsidiary of Nan Fung
“Government”	the Government of Hong Kong
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“KDC”	Kendervon Development Corp., a company incorporated in the British Virgin Islands and whose registered office is situate at the offices of Trident Trust Company (B.V.I.) Limited, Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands
“Kendervon Retained Amount”	the aggregate amount of HK\$6,000,000 to be paid to the Vendor’s Solicitors as to HK\$2,200,000 upon signing of the Agreement and as to HK\$3,800,000 upon Completion, and to be held by the Vendor’s Solicitors as stakeholders pursuant to the terms and conditions of the Agreement and to be released in manner as provided in the Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the date falling three (3) months after the date of the Agreement, which is 12th March, 2002, or such later date as MBE and Global Lane may subsequently agree in writing
“MBE”	MBE Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is currently owned as to 80% by the Company and 20% by KDC
“Mr. Chen”	Mr. Chen Din Hwa, a substantial shareholder of the Company, holding approximately 20.86% equity interest in the Company
“Nan Fung”	Nan Fung Development Limited, a company incorporated in Hong Kong with limited liability
“New Grant”	certain agreement and conditions of exchange to be issued and granted by the Government to Deluxe View in respect of the property to be known as Lot No. 1739 in Demarcation District No. 122 by way of surrender of the Property to the Government by Deluxe View in exchange therefor
“Premium”	the premium payable by Deluxe View to the Government for the issue and grant of the New Grant by the Government to Deluxe View, as may be determined by the Government in any appeal to be made pursuant to the Agreement by MBE for and on behalf of Deluxe View or as may be otherwise determined by the Government
“Prime Rate”	the rate of interest per annum quoted by The Hongkong and Shanghai Banking Corporation Limited to be its prime or best lending rate for Hong Kong dollars for the relevant period
“Property”	all those pieces or parcels of ground registered in the Yuen Long New Territories Land Registry as Lots Nos. 1338A, 1338B/R.P., 1338C, 1339A, 1339C, 1343, 1345, 1346, 1347, 1349R.P., 1587A, 1587B/R.P., 1587C, 1592 and 1593 all in Demarcation District No. 122, Castle Peak Road, Ping Shan, New Territories, Hong Kong together with the messuages, erections and buildings thereon (if any)
“Put Option”	the put option granted by MBE to Global Lane thereby entitling Global Lane to require MBE to purchase from Global Lane the Sale Shares and the Shareholder’s Loans pursuant to the Put Option Agreement
“Put Option Agreement”	the agreement to be executed by MBE as grantor, Global Lane as grantee and the Company and KDC as guarantors granting to Global Lane the Put Option
“Put Option Consideration”	the consideration for purchase of the Sale Shares and the Shareholder’s Loans by MBE upon Global Lane exercising the Put Option, which shall be an amount equal to:  HK\$55,000,000 + (A-B) + I  Where:  “A” means the amount of assets of Deluxe View appearing in the Audited Completion Accounts, other than and excluding the Property;  “B” means the amount the liabilities of Deluxe View appearing in the Audited Completion Accounts, other than and excluding the Shareholder’s Loans; and  “I” means the interest which shall have accrued on the amount of HK\$55,000,000 + (A-B) for the period from the date of the Put Option Agreement to the date on which completion of the Put Option Agreement actually takes place, including the former date but excluding the latter date, and calculated at the rate of three percent (3%) above the Prime Rate from time to time during such period.
“Put Option Notice”	a notice in the form as annexed to the Put Option Agreement to be given by Global Lane to MBE upon Global Lane exercising the Put Option
“Put Option Period”	the period commencing from 12:00 a.m. mid-night on 2nd May, 2002 and ending at the later of (a) 5:00 p.m. on 8th May, 2002 in respect of condition (i) of the second paragraph of the paragraph entitled “Put Option” under the heading “The Agreement dated 12th December, 2001” above or (b) acceptance of the full amount of the Premium by the Government as referred to in condition (ii) of the second paragraph of the paragraph entitled “Put Option” under the heading “The Agreement dated 12th December, 2001” above
“Relevant Contracts”	the contracts entered into between Deluxe View and various consultants and architects which are subsisting, or under which Deluxe View is liable, as at the date of the Agreement
“Retained Amount”	the amount of HK\$25,000,000 to be paid to the Vendor’s Solicitors upon Completion and to be held by them as stakeholders for the payment and settlement of the Premium in accordance with the Agreement
“Sale Shares”	four (4) shares of HK\$1 each in the issued share capital of Deluxe View, representing the entire issued share capital of Deluxe View
“Shareholder’s Loans”	the aggregate amount of the loans due and owing by Deluxe View to MBE as at the Completion Date, which are as stated in the Audited Completion Accounts and the same amounts to HK\$128.6 million as at 31st July, 2001
“Shareholders”	holders of ordinary share(s) of HK\$0.5 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor’s Solicitors”	Messrs. Vincent T. K. Cheung, Yap & Co., the solicitors acting for MBE in the Disposal
“HK\$”	Hong Kong dollars

By Order of the Board  
Lai Sun Development Company Limited  
Yeung Kam Hoi  
Company Secretary