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**eSun Holdings Limited**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 571)**



**Lai Sun Development Company Limited**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 488)**

**Continuing Connected Transactions  
Agreements relating to the 'Playboy Mansion Macao',  
part of the Macao Studio City project**

Members of the Cyber One Group have entered into certain agreements with members of the Playboy Group for the development of a 30,000 to 40,000 square foot multi-use entertainment venue to be called the "Playboy Mansion Macao". The arrangements involve the establishment of a new joint venture company owned 51% by Cyber One and 49% by Playboy, with the joint venture company being granted a licence, for an initial term of ten years from the opening date of the Venue, to use certain Playboy intellectual property in connection with the Venue. The joint venture company has also granted a sub-licence of the same intellectual property to the New Cotai Group in connection with a proposed 5,000 square foot special entertainment space to be developed by New Cotai Entertainment within the Venue.

Playboy and New Cotai Holdings are (for the reasons explained below) connected persons of eSun under the Listing Rules, and therefore transactions between eSun and its subsidiaries (including members of the Cyber One Group) and (i) members of the Playboy Group and/or (ii) members of the New Cotai Group constitute connected transactions for eSun under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under both the Licence Agreement and the Sub-Licence Agreement constitute continuing connected transactions for eSun.

Pending the opening of the Venue, no amounts are payable by the Joint Venture Company under the Licence Agreement or the Sub-Licence Agreement. Annual caps will, in due course, be set for each of the Licence Agreement and Sub-Licence Agreement in accordance with, and the Company shall comply with the relevant requirements of, the Listing Rules.

## Background

eSun and LSD have made a series of past announcements concerning the development by Cyber One of its 'Macao Studio City' project.

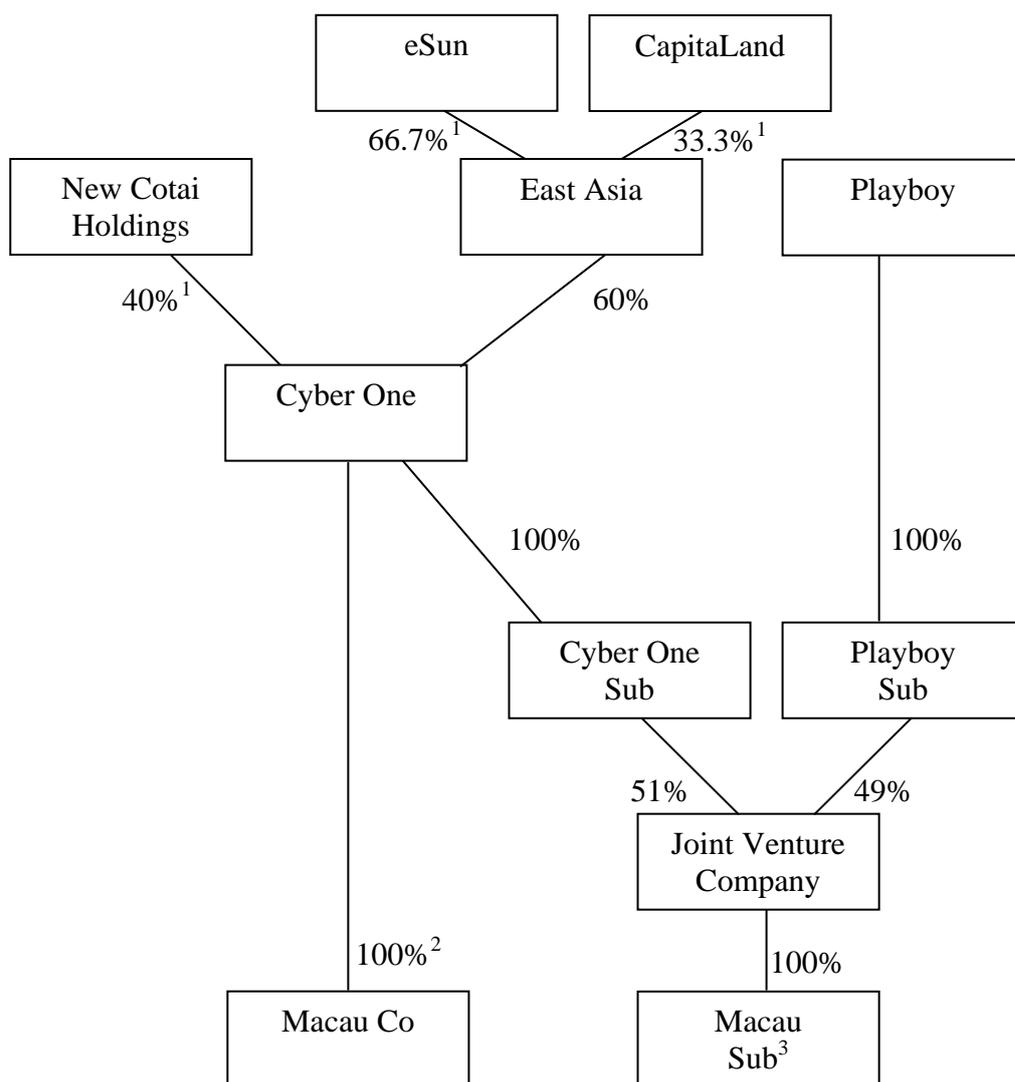
Cyber One is an indirect non-wholly owned subsidiary of eSun. It is accounted for as a jointly controlled company in the accounts of the eSun Group. Cyber One's subsidiary, Macau Co, owns a leasehold interest in the Cotai Site, on which it is proposed, subject to the Macau government's approval, that the Project will be developed.

Amongst the retail and entertainment facilities to be developed as part of the Project, it is intended that a 30,000 to 40,000 square foot multi-use entertainment venue will be developed under the name "Playboy Mansion Macao".

To further these intended arrangements, members of the Cyber One Group have entered into certain agreements with members of the Playboy Group and members of the New Cotai Group, as described below.

Because New Cotai Holdings is a substantial shareholder of Cyber One, and Cyber One is an indirect non-wholly owned subsidiary of eSun, New Cotai Holdings and its associates, including New Cotai, are treated as connected persons of eSun. Moreover, notwithstanding that Playboy was, prior to entering into the agreements relating to the Venue, as referred to in this announcement, independent of eSun and the connected persons of eSun, by virtue of the fact that Playboy has become a substantial shareholder of the joint venture company, itself an indirect non-wholly owned subsidiary of eSun, Playboy and its associates are also treated as connected persons of eSun. Accordingly, on-going transactions between eSun and its subsidiaries (including members of the Cyber One Group) and (i) members of the Playboy Group and/or (ii) members of the New Cotai Group constitute continuing connected transactions for eSun under Chapter 14A of the Listing Rules.

In simplified diagrammatic form, parties relevant to the arrangements described below are as follows:-



Notes:

1. indirect shareholding interest
2. direct and indirect shareholding interests
3. company yet to be established

#### Establishment of the Joint Venture Company

On 21 June, 2007, a wholly-owned subsidiary of Cyber One entered into a joint venture agreement with a wholly-owned subsidiary of Playboy to establish a joint venture company for the purposes of developing the Venue.

#### *Parties*

- (i) Cyber One Sub, a wholly-owned subsidiary of Cyber One; and
- (ii) Playboy Sub, a wholly-owned subsidiary of Playboy.

### *Playboy Joint Venture*

Cyber One Sub and Playboy Sub have formed the Joint Venture Company as a special purpose project vehicle owned 51% by Cyber One Sub and 49% by Playboy Sub. As far as eSun is concerned, the Joint Venture Company is an indirect non-wholly owned subsidiary of eSun for the purposes of the Listing Rules. The Joint Venture Company is managed by a five member board, of which three members are appointed by Cyber One Sub and two members are appointed by Playboy Sub.

Notwithstanding Cyber One Sub's control of the board of the Joint Venture Company, Playboy Sub's consent is required for certain material transactions proposed to be entered into from time to time by the Joint Venture Company, including the proposed lease for the Venue from Macau Co, as described below and the making of any material amendments to the Sub-Licence Agreement.

The results of the Joint Venture Company will be fully consolidated in the Cyber One accounts on a line by line basis (with a minority interest line item deduction for the 49% minority interest held by Playboy Sub in the Joint Venture Company). In turn, the accounts of Cyber One will be equity accounted for as a jointly-controlled entity under the prevailing Hong Kong Financial Reporting Standards in the accounts of East Asia, which in turn will be fully consolidated in the accounts of eSun (with a minority interest line item deduction for the 33.3% minority interest held by CapitaLand in East Asia).

### *Financing*

Cyber One Sub and Playboy Sub have, at this stage, committed to provide total equity capital of US\$10 million (approximately HK\$78 million), to be contributed pro-rata. Cyber One Sub and Playboy Sub will contribute US\$750,000 of the equity capital on a pro-rata basis on the outset, and the remaining portion will be contributed pro-rata upon the Joint Venture Company's receipt of a customary commitment letter for the debt financing necessary to complete the construction of the Venue.

The Joint Venture Company will seek third party financing for the construction and operation of the Venue.

### *Envisaged lease arrangements*

It is intended that the Joint Venture Company or its proposed subsidiary, Macau Sub, would sub-let the site for the Venue, excluding the New Cotai Entertainment Site, from a separate non-wholly owned subsidiary of Cyber One, which, itself, will lease the Venue from Macau Co, as the ultimate owner.

Within the Venue, it is proposed that the New Cotai Group would develop a 5,000 square foot special entertainment space described in the section Sub-Licence Agreement below. That

space will form the subject of a separate lease from Macau Co to the relevant member of the New Cotai Group to be entered into in due course.

### Licence Agreement

On 21 June, 2007, Playboy granted a licence to the Joint Venture Company for the use of certain Playboy intellectual property in relation to the joint venture.

### *Parties*

- (i) Playboy; and
- (ii) the Joint Venture Company.

### *Licence*

Pursuant to the Licence Agreement, Playboy has granted to the Joint Venture Company the sole and exclusive right to use certain trademarks (including "Playboy", "Playmate" and the "bunny logo") in connection with the Venue. In addition, the Joint Venture Company has been granted the sole and exclusive worldwide right to sell "Playboy Mansion Macao" merchandise.

### *Consideration – License Fees*

The Joint Venture Company will pay to Playboy, as license fees, a fixed portion of the annual revenues earned through the operation of the Venue. The license fees were settled on the basis of arm's length negotiations between Cyber One and Playboy.

### *Term*

The initial term of the Licence Agreement is ten (10) years from the opening date of the Venue. The Joint Venture Company has the option to renew the term for an additional ten (10) years, subject to the Joint Venture Company achieving certain performance thresholds. As Cyber One considered the development of the Venue and the New Cotai Entertainment Site required medium to long-term commitment, the term of the Licence Agreement was accordingly of a longer duration in order to be commercially viable.

### *Termination*

Each party has certain customary rights to terminate the Licence Agreement in the event of default by the other party. In addition, either party may terminate the Licence Agreement if the Joint Venture Company has not, by 15 January, 2008, obtained a customary commitment letter for the debt financing necessary to complete the construction of the Venue. Moreover, Playboy has certain other rights of termination if certain project milestones are not achieved on time (including if the Venue is not opened by 31 December, 2010). In the event of termination of the Licence Agreement, there is no compensation payable under the Licence

Agreement. In particular, the Joint Venture Company shall not be liable for any future licence fees that would have been otherwise due under the Licence Agreement had the Licence Agreement not terminated.

#### Sub-Licence Agreement

On 21 June, 2007, the Joint Venture Company granted a sub-licence to certain members of the New Cotai Group for the use of certain Playboy intellectual property solely in connection with the New Cotai Entertainment Site.

#### *Parties*

- (i) the Joint Venture Company;
- (ii) New Cotai Entertainment; and
- (iii) New Cotai Entertainment (Macau) Limited.

New Cotai Entertainment and New Cotai Entertainment (Macau) Limited are the associates of New Cotai, the owner of a 40% interest in Cyber One.

#### *Sub-licence*

To enable the New Cotai Group to develop the New Cotai Entertainment Site in a manner that uses certain Playboy trademarks, the Joint Venture Company has granted certain members of the New Cotai Group a sub-licence in respect of the same intellectual property referred to in the Licence Agreement, to be used solely in connection with the New Cotai Entertainment Site.

#### *Consideration*

The Joint Venture Company is entitled to substantially all of the annual net revenues attributable to the New Cotai Entertainment Site. New Cotai Entertainment, in consideration for its services in relation to the operation of the New Cotai Entertainment Site, is entitled to a small fixed percentage of the annual revenues of the New Cotai Entertainment Site, as settled on the basis of arm's length negotiations between Cyber One, Playboy and New Cotai Entertainment. Such services to be provided by New Cotai Entertainment include the management of the special entertainment space and the facilities in relation thereto in accordance with all applicable laws and regulations.

#### *Term*

The term of the Sub-Licence Agreement is intended to match the term of the Licence Agreement. Accordingly, the Sub-Licence Agreement would terminate automatically in the event of a termination of the Licence Agreement and would be renewed automatically in the event of a renewal of the Licence Agreement.

## *Termination*

Each party has certain customary rights to terminate the Sub-Licence Agreement in the event of default by the other party. In addition, New Cotai Entertainment may terminate the Sub-Licence Agreement in the event that any regulatory authority requires New Cotai Entertainment, or any of its regulated affiliates, to disassociate itself from the Joint Venture Company or Playboy. In the event of termination of the Sub-Licence Agreement, there is no compensation payable under the Sub-Licence Agreement. In particular, the Joint Venture Company shall not be entitled to any future licence fees that would have been otherwise due under the Sub-Licence Agreement had the Sub-Licence Agreement not terminated.

## Duration of the Licence Agreement and Sub-Licence Agreement

Pursuant to Rule 14A.35(1) of the Listing Rules, CIMB-GK Securities (HK) Limited ("CIMB-GK") has been appointed as the independent financial adviser to advise the eSun Directors in relation to the duration of the provision of the Licence Agreement and Sub-Licence Agreement. Since the term of the Licence Agreement and Sub-Licence Agreement exceeds three years, CIMB-GK is required to explain why a period longer than three years is required and to confirm if this is a normal business practice for licences of this type. As such, CIMB-GK has taken into account the following factors:

- Cyber One considers that the development of the Venue and the New Cotai Entertainment Site requires medium to long-term commitment. Accordingly, the commercial arrangements with Playboy needs to be of a longer duration to be commercially viable;
- as the Venue is to be named "Playboy Mansion Macao", it would be in the interests of Cyber One to secure a long term exclusive right to use the Playboy related trademarks in order to facilitate the continuing promotion and marketing of the Venue;
- Cyber One advised the eSun Directors that it is Playboy's current strategy to enter into trademark licensing agreements with its other licensees worldwide with terms comparable to those of the Licence Agreement;
- based on publicly available information, CIMB-GK has reviewed the terms of similar trademark licensing agreements governing various industries entered into by other companies whose shares are listed on the Stock Exchange and noted that such trademark agreements also have terms ranging from four to ten years; and
- the long term benefits of the Licence Agreement and the Sub-Licence Agreement to be conferred to the Joint Venture Company and the New Entertainment Site,

and CIMB-GK is of the view that it is fair and reasonable and in the best interests of eSun and its shareholders as a whole to enter into the Licence Agreement and Sub-Licence Agreement and it is normal business practice for licences in the nature of the Licence Agreement and Sub-Licence Agreement to be of such duration.

### Annual Caps applicable to the Licence Agreement and Sub-Licence Agreement

Pending the opening of the Venue, no amounts are payable by the Joint Venture Company under the Licence Agreement or the Sub-Licence Agreement. Annual caps will, in due course, be set for each of the Licence Agreement and the Sub-Licence Agreement in accordance with, and the Company shall comply with the relevant requirements of, the Listing Rules.

### Views of the eSun Directors

The eSun Directors (including the independent non-executive directors of eSun) are of the view that each of the Licence Agreement and the Sub-Licence Agreement is fair and reasonable and is in the best interests of eSun and its shareholders as a whole. They are further satisfied that the duration (including renewal) of the two Agreements are reasonable and typical of transactions of such nature.

The eSun Directors are satisfied that amounts payable by the Joint Venture Company to both Playboy under the Licence Agreement and New Cotai Entertainment under the Sub-Licence Agreement are fair and reasonable, and note that the formulae for payments to both have been fixed under the relevant agreements and cannot be amended or adjusted without the written agreement of the Joint Venture Company, and further that, on any decision by the Joint Venture Company to make any amendment to the Licence Agreement, neither Playboy nor the nominees of Playboy to the board of the Joint Venture Company may vote on the matter. As regards any amendment to the Sub-Licence Agreement, again, neither New Cotai Holdings nor the nominees of New Cotai Holdings to the board of either the Joint Venture Company or the board of Cyber One may vote on the matter.

Accordingly, the eSun Directors are satisfied that neither the Licence Agreement nor the Sub-Licence Agreement can be altered by the relevant connected person in favour of that connected person. In any event, should any material changes be made, in the future, to either the Licence Agreement or the Sub-Licence Agreement, eSun will, as necessary, re-comply with the Listing Rules as required pursuant to Listing Rule 14A.36.

### General

eSun is principally engaged in the development and operation of and investment in media, entertainment, music production and distribution businesses, advertising agency services, satellite television operations and the development of the Cotai site into a multi-purpose complex comprising retail, entertainment and world-class hotels in the name of "Macao Studio City".

LSD is principally engaged in property development for sale, property investment, operation of and investment in hotels and restaurants and investment holding. LSD owns an interest of approximately 34.75% in eSun. As eSun therefore represents a material associated company of LSD, the directors of LSD believed that it was appropriate for LSD to join in on the making of this announcement albeit that the matters referred to herein do not constitute transactions or connected transactions of LSD for the purposes of Chapters 14 and 14A

respectively of the Listing Rules, nor do the LSD directors consider them to be price sensitive so far as LSD is concerned.

Playboy is a brand-driven, international multimedia entertainment company that publishes editions of Playboy magazine around the world; operates television networks and distributes programming globally; owns Playboy.com, a leading men's lifestyle and entertainment website; and licenses the Playboy trademark internationally for a range of consumer products and services.

New Cotai is a United States joint venture partner of eSun's. In December 2006, the eSun Group completed the sale of a 40% interest in Cyber One, the investment holding company of Macao Studio City, to New Cotai. New Cotai is a consortium of US-based investors including Mr. David Friedman (a veteran resort and gaming developer), Silver Point Capital, L.P., and Oaktree Capital Management, LLC.

### Definitions

In this announcement, the following expressions shall have the following meanings:-

"CapitaLand"	CapitaLand Limited, a limited liability company whose shares are listed on the SGX-ST;
"Cotai Site"	all that piece or parcel of land with an area of approximately 140,789 square metres (or approximately 1.52 million square feet) known as Zona de Aterro entre Taipa e Coloane, Lotes G300, G310 e G400, Estrada Flôr de Lotus, Macau, as marked on the plan gazetted as page 5731 on No. 42-17-10-2001 "Boletim Oficial de Região Administrativa Especial de Macau – II Serie";
"Cyber One"	Cyber One Agents Limited, a company incorporated in the British Virgin Islands;
"Cyber One Group"	Cyber One and its subsidiaries;
"Cyber One Sub"	MSC-P LLC, a Delaware limited liability company and a wholly-owned subsidiary of Cyber One;
"East Asia"	East Asia Satellite Television (Holdings) Limited, a company incorporated in the British Virgin Islands which is an indirect non-wholly-owned subsidiary of eSun;
"eSun"	eSun Holdings Limited;

"eSun Directors"	the directors of eSun;
"Joint Venture Agreement"	the joint venture agreement dated 21 June, 2007 between Cyber One Sub and Playboy Sub described in this Announcement;
"Joint Venture Company"	MSC-PEI Club, LLC, a Delaware limited liability company owned as to 51% by Cyber One Sub and 49% by Playboy Sub;
"Licence Agreement"	the licence agreement dated 21 June, 2007 between Playboy and the Joint Venture Company described in this announcement;
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange;
"LSD"	Lai Sun Development Company Limited;
"Macau"	the Macau Special Administrative Region of the People's Republic of China;
"Macau Co"	East Asia-Televisão Por Satélite Limitada, a company incorporated under the laws of Macau;
"Macau Sub"	a yet-to-be formed wholly-owned, Macau-incorporated, subsidiary of the Joint Venture Company;
"New Cotai"	New Cotai, LLC, a Delaware limited liability company and a subsidiary of New Cotai Holdings;
"New Cotai Entertainment"	New Cotai Entertainment, LLC, a Delaware limited liability company and a subsidiary of New Cotai Holdings;
"New Cotai Entertainment Site"	the special entertainment site of approximately 5,000 square feet proposed to be located within the Venue;
"New Cotai Group"	New Cotai Holdings and its subsidiaries;
"New Cotai Holdings"	New Cotai Holdings, LLC, a Delaware limited liability company;

"Playboy"	Playboy Enterprises International, Inc., a Delaware corporation;
"Playboy Group"	Playboy and its subsidiaries;
"Playboy Sub"	Playboy Macao, LLC, a Delaware limited liability company and a subsidiary of Playboy;
"Project"	an approximately 3.65 million gross square foot project, known as 'Macao Studio City' to be constructed on the Cotai Site envisaged to contain retail, hotel, apartments, entertainment, integrated television and future production studios and other facilities;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Sub-Licence Agreement"	the sub-licence agreement dated 21 June, 2007 between the Joint Venture Company, New Cotai Entertainment and New Cotai Entertainment (Macao) Limited as described in this announcement;
"Venue"	the proposed 30,000 to 40,000 square foot multi-use entertainment venue proposed to be developed by the Joint Venture Company under the name 'Playboy Mansion Macao'.

By order of the Board  
**eSun Holdings Limited**  
Yeung Kam Hoi  
*Company Secretary*

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

Hong Kong, 21 September 2007

*As at the date hereof, the executive directors of eSun are Mr. Lam Kin Ngok, Peter, Mr. Liu Ngai Wing, Mr. Cheung Wing Sum, Ambrose, Ms Leung Churk Yin, Jeanny and Mr. Low Kit Leong; the non-executive directors are Mr. Lien Jown Jing, Vincent, Mr. Lam Kin Ming, Madam Tam Wai Chu, Maria and Madam U Po Chu and the independent non-executive directors are Mr. Alfred Donald Yap, Mr. Low Chee Keong and Mr. Tong Ka Wing, Carl.*

*As at the date hereof, the executive directors of LSD are Mr. Lam Kin Ngok, Peter, Mr. Lau Shu Yan, Julius, Mr. Tam Kin Man, Kraven, Mr. Cheung Wing Sum, Ambrose, Ms Leung Churk Yin, Jeanny and Mr. Cheung Sum, Sam; the non-executive directors are Mr. Lam Kin Ming and Madam U Po Chu and the independent non-executive directors are Mr. David Tang, Mr. Lam Bing Kwan and Mr. Leung Shu Yin, William.*