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LAI SUN DEVELOPMENT

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

(Stock Code: 488)

DISCLOSEABLE TRANSACTION Disposal of a 16.57% interest in the entity owning The Ritz-Carlton Hong Kong

This announcement is made by Lai Sun Development Company Limited pursuant to Rule 14.33 of the Listing Rules.

The Directors announce that LSD and Surearn, a wholly-owned subsidiary of LSD, have entered into an agreement on 7 November 2007 with, among others, CCB International Group Holdings Limited, pursuant to which Surearn has agreed to sell a 16.57% interest in Diamond String (and LSD has agreed to assign the related shareholder loan with the interest accrued thereon) for a total consideration of approximately HK\$567.1 million, subject to adjustment.

The Disposal constitutes a discloseable transaction for LSD under Chapter 14 of the Listing Rules. A circular containing further details of the Disposal will be dispatched to Shareholders as soon as practicable.

BACKGROUND

LSD's wholly-owned subsidiary, Surearn, is the owner of a 76.57% interest in Diamond String, which itself owns No. 3 Connaught Road Central, currently 'The Ritz-Carlton Hong Kong'.

Pursuant to the Agreement, Surearn has agreed to sell a 16.57% interest in Diamond String to the Purchaser. In addition, the three minority shareholders of Diamond String who, collectively, hold the remaining 23.43% interest in Diamond String have agreed to sell their collective interest to the Purchaser.

The operating agreement, pursuant to which The Ritz-Carlton Limited operates and manages the hotel, will terminate on 31 January 2008, after which it is proposed that the hotel will be closed, and the property and site will be redeveloped.

The redevelopment will be undertaken by LSD and the Purchaser, together, with LSD owning 60% and the Purchaser owning 40% of Diamond String, respectively, upon completion of the Agreement.

On Completion, the Purchaser will become a connected person of LSD, as being the substantial shareholder of a subsidiary (Diamond String), in which regard future agreements entered into between members of the LSD Group and the Purchaser or its associates will constitute connected transactions for LSD, in respect of which LSD will need to comply with the Listing Rules at the relevant time(s).

TERMS OF THE AGREEMENT

Date 7 November 2007

Parties

- Surearn and LSD;
- the Minority Shareholders, comprising Kailey Enterprises Limited, Nian Sheng Investments Limited and Honour Fair Inc (and the latter's affiliate, Cheerline Company Limited); and
- the Purchaser.

To the best of the knowledge, information and belief, having made all reasonable enquiries, the Purchaser and each of the Minority Shareholders (save as described below), and their respective ultimate beneficial owners, are third parties independent of LSD and the connected persons of LSD. Of the Minority Shareholders, Kailey owns 11.43% of Diamond String, and is therefore a substantial shareholder of LSD's subsidiary. On Completion, Kailey will cease to hold any interest in Diamond String and will cease to be connected to LSD. As described above, the Purchaser will, on completion, become a substantial shareholder of Diamond String and will become connected to LSD.

Assets to be disposed

Surearn has agreed to sell, and the Purchaser has agreed to purchase, the Surearn Sale Shares, representing 16.57% of the issued share capital of Diamond String. In addition, LSD has agreed to assign, and the Purchaser has agreed to have assigned to it, the Surearn-related Shareholder Loan, representing 16.57% of the total outstanding shareholders' loans plus accrued interest owing by Diamond String on Completion.

Also pursuant to the Agreement, the Purchaser will acquire, from the Minority Shareholders, the remaining 23.43% interest in Diamond String and 23.43% of the total outstanding shareholders' loans plus accrued interest owing by Diamond String on Completion.

Consideration

The consideration which LSD and Surearn will, together, receive for the Surearn Sale Shares and the Surearn-related Shareholder Loan is approximately HK\$567.1 million, subject to adjustment. The consideration represents LSD's and Surearn's pro rata entitlement to the total aggregate consideration payable by the Purchaser under the Agreement.

The aggregate consideration was arrived at after arm's length negotiations between the parties to the Agreement and is the product of a formula comprising 40% of the sum of (i) the agreed value of The Ritz-Carlton Hong Kong property plus (ii) the net asset value of Diamond String (excluding, for these purposes, The Ritz-Carlton Hong Kong property on the assets side, and the outstanding bank loan referred to at (iii) below, the outstanding shareholders' loans plus accrued interest as at Completion and deferred tax on the liabilities side); and (iii) the principal amount of the outstanding bank loan advanced to Diamond String.

The exact consideration payable will be determined by reference to audited completion accounts, from which the net asset value of Diamond String (the components of which are described above), as at the date to which completion accounts are drawn up, will be apparent.

Depending on whether the consideration payable to Surearn as determined by reference to audited completion accounts is in excess of, or under, HK\$567.1 million, the consideration shall be adjusted up or down on a dollar for dollar basis. 41.425% of the aggregate excess consideration payable to all of the Vendors shall be added to the third instalment payment to Surearn, or 41.425% of any shortfall shall be deducted from the third instalment payment to Surearn, as the case may be.

The consideration shall be paid, in cash, by the Purchaser in three instalments with (i) the initial payment by way of a deposit, being approximately HK\$56.7 million to Surearn, upon signing of the Agreement, (ii) a further part payment, being approximately HK\$482 million to Surearn, on Completion and (iii) the balance within seven days of the delivery of the completion accounts of Diamond String pursuant to terms of the Agreement.

The Directors expect that the audited completion accounts will be available on or before 30 June 2008.

The LSD Group intends to apply the sale proceeds from the Disposal as general working capital.

Conditions Precedent

Unless waived by the Purchaser in writing, Completion is conditional upon fulfilment of the following conditions:

- (a) board approval of China Construction Bank Corporation, the parent company of the Purchaser; and
- (b) the obtaining of approvals, if necessary or required, by the Purchaser from the relevant authorities in the PRC including, but not limited to, approval from the Ministry of Foreign Trade and Economic Cooperation.

Completion

Subject to fulfilment (or waiver by the Purchaser) of the condition, Completion will take place on or before 17 December 2007. In the event that any Vendor fails to complete its obligations under the Agreement, the other Vendors and the Purchaser are not obliged to complete their respective obligations under the Agreement.

Upon Completion, Diamond String will have two shareholders, namely Surearn and the Purchaser, holding 60% and 40% respectively. Diamond String will continue to be accounted for as a non-wholly owned subsidiary of LSD.

Treatment of the Bank Loan

From Completion, absent any replacement bank loan arrangements, the Purchaser will assume its share of the guarantee obligations in respect of the existing bank loan advanced to Diamond String, on a several basis, pro rata to its shareholding in Diamond String. Surearn has given a several proportionate debt servicing and deficiency guarantee of approximately HK\$39.8 million in its capacity as a 16.57% shareholder of Diamond String in relation to the existing bank loan. Should any replacement loan arrangements be agreed with affiliate(s) of the Purchaser, the Company will, as necessary, make a further announcement and comply with the applicable provisions of the Listing Rules in relation to such arrangements.

REASONS FOR THE DISPOSAL

The Minority Shareholders have chosen, at this time, to exit from their investment in the property, affording LSD and the Purchaser the opportunity, in due course, to redevelop the property by way of a joint venture between them. As a part of the Disposal, LSD has agreed to sell the Surearn Sale Shares and Surearn-related Shareholder Loan, to facilitate the formation of a strategic alliance with the Purchaser, in shareholding proportions acceptable to both, with the intention that they will co-develop the property for long term investment purpose.

The Directors consider the Agreement has been entered into upon normal commercial terms and that the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL INFORMATION ON DIAMOND STRING AND FINANCIAL EFFECT ON THE TRANSACTION

The audited net profit before taxation and after taxation of Diamond String for the year ended 31 December 2006 were approximately HK\$71.8 million and HK\$57.4 million, respectively. The audited net profit before taxation and after taxation of Diamond String for the year ended 31 December 2005 were approximately HK\$45.6 million and HK\$35.8 million, respectively.

The unaudited net liabilities of Diamond String after deducting the loans owing to shareholders together with interest accrued thereon as at 31 August 2007 were approximately HK\$34.8 million. As at 31 August 2007, the total amount of loans and interest accrued thereon owed by Diamond String to shareholders was approximately HK\$770.4 million.

During the period from 1 January 2007 to the date of this announcement, the LSD Group acquired an aggregate 11.57% equity interest in Diamond String, together with the related shareholder loans owed by Diamond String to the respective vendors, for a total consideration of approximately HK\$281.5 million. Following the completion of the abovementioned acquisitions, the LSD Group's interest in Diamond String increased from 65% to 76.57%. Goodwill of approximately HK\$198.3 million has arisen from the abovementioned acquisitions.

Taking into account the total consideration for the Disposal of approximately HK\$567.1 million, LSD's 16.57% share of the net liabilities of Diamond String as at 31 August 2007 of approximately HK\$5.8 million (being 16.57% of HK\$34.8 million), the Surearn-related Shareholder Loan in the amount expected as of Completion, of approximately HK\$127.7 million (being 16.57% of HK\$770.4 million), and the release of goodwill arising from acquisition of additional interests in Diamond String by the LSD Group of approximately HK\$42.9 million (being 16.57/76.57 of HK\$198.3 million), the gain arising from the disposal of LSD's 16.57% interest in Diamond String, to be recognised by the LSD Group in its consolidated income statement, has been estimated at approximately HK\$402.3 million (before expenses and the effect of the cross-holding of shares between LSD and eSun).

Since the LSD Group owns an equity interest of approximately 34.75% in eSun (which in turn owns an equity interest of approximately 36.72% in the LSD Group), an additional gain arising from this cross-holding effect of approximately HK\$58.8 million, before expenses, is expected to accrue to the LSD Group's share of profits and losses of associates of the consolidated income statement upon Completion. The total estimated gain expected to accrue to the LSD Group's consolidated income statement upon Completion as a result of the disposal of 16.57% interest in Diamond String by the LSD Group before expenses (after taking into account the cross-holding effect) is approximately HK\$461.1 million.

The above calculation and accounting treatment are subject to review by the auditors of LSD. The actual financial impact to the LSD Group arising from the Disposal to be recorded in the LSD Group's consolidated accounts will be recalculated based on the net asset value of Diamond String as at the date to which completion accounts are drawn up.

LISTING RULES IMPLICATIONS

The Disposal constitutes a discloseable transaction for LSD under Chapter 14 of the Listing Rules. A circular containing further details of the Disposal will be dispatched to Shareholders as soon as practicable.

INFORMATION ON LSD GROUP AND THE TRANSACTION COUNTERPARTIES

LSD is an investment holding company. Members of the LSD Group are engaged principally in the development of and investment in property and investment in and operation of hotels and restaurants. LSD also owns an interest of approximately 34.75% in eSun, whose subsidiaries and associates are engaged in media, entertainment, music production and distribution, advertising agency services, satellite television operations and the development of the Cotai site in Macau into a multi-purpose complex comprising retail, entertainment and world-class hotels in the name of "Macao Studio City".

Surearn is a wholly-owned investment holding company of LSD, which currently holds a 76.57% interest in Diamond String.

The Minority Shareholders are, so far as the Directors are aware, investment holding entities known to the Directors, over the years, for their co-investment, in Diamond String.

The Purchaser is a wholly-owned subsidiary of China Construction Bank Corporation (Stock Code: 939). China Construction Bank Corporation (formerly known as the China Construction Bank) is a PRC state-owned bank operating in a commercial capacity, principally engaged in the areas of corporate banking, personal banking and treasury operations.

DEFINITIONS

“Agreement”	the sale and purchase agreement dated 7 November 2007 entered into between the Vendors and the Purchaser in relation to the Disposal;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Completion”	completion of the sale and purchase of the Sale Shares and the assignment of the related shareholders’ loans plus the accrued interest in accordance with the terms and conditions of the Agreement;
“Diamond String”	Diamond String Limited, a company incorporated in Hong Kong, owned, as to 76.57%, indirectly, by LSD, and, as to the balance, by the Minority Shareholders;
“Directors”	the directors of LSD;
“Disposal”	the disposal of the Sale Shares and related shareholders’ loans plus the accrued interest as at Completion to the Purchaser pursuant to the terms of the Agreement;
“eSun”	eSun Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the Stock Exchange;
“HK\$”	Hong Kong dollar(s);
“Honour Fair”	Honour Fair Inc, a company incorporated in the British Virgin Islands, which owns 5.72% of Diamond String (together, for the purposes of this definition, with Cheerline Company Limited, an affiliate of Honour Fair, being the party responsible for advancing 5.72% of the outstanding shareholders’ loans to Diamond String);
“Kailey”	Kailey Enterprises Limited, a company incorporated in Hong Kong, which owns 11.43% of Diamond String;
“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, the shares of which are listed on the Stock Exchange;
“LSD Group”	LSD and its subsidiaries;

“Minority Shareholders”	Kailey, Nian Sheng and Honour Fair, who, together, own 23.43% of Diamond String;
“Nian Sheng”	Nian Sheng Investments Limited, a company incorporated in British Virgin Islands, which owns 6.28% of Diamond String;
“PRC”	the People’s Republic of China which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
“Purchaser”	CCB International Group Holdings Limited, a company incorporated in Hong Kong;
“Sale Shares”	4,000 shares in Diamond String owned by the Vendors;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Surearn Sale Shares”	1,657 shares in Diamond String, representing 16.57% of its total issued share capital;
“Surearn-related Shareholder Loan”	16.57% of the total outstanding shareholders’ loan plus the accrued interest owing by Diamond String on Completion (such 16.57% amount, being, as at the date of this announcement, approximately HK\$121.39 million);
“Surearn”	Surearn Profits Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of LSD;
“Vendors”	Surearn, LSD and the Minority Shareholders;
“%”	per cent.

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

Hong Kong, 8 November 2007

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, Mr. Cheung Sum, Sam and Ms. Leung Churk Yin, Jeanny; 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.