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## LAI SUN GARMENT

Lai Sun Garment (International) Limited  
(Incorporated in Hong Kong with limited liability)

**Discloseable and connected  
transaction**



## LAI SUN DEVELOPMENT

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

**Discloseable and connected  
transactions**

### JOINT ANNOUNCEMENT

### REORGANISATION INVOLVING SHARES IN THE CAPITAL OF ASIA TELEVISION LIMITED AND LAI FUNG HOLDINGS LIMITED

The respective directors of LSG and LSD announce that on 7th December, 2001, Mr. Lim, LSG and LSD entered into an agreement pursuant to which:

- Mr. Lim agreed to sell, and LSD agreed to purchase, 125,450,000 shares in the capital of ATV, representing approximately 16.08 per cent. of the existing issued share capital of ATV and Mr. Lim's entire shareholding interest in ATV;
- LSD agreed to sell, and LSG agreed to purchase, 779,958,912 shares in the capital of Lai Fung, representing approximately 25.40 per cent. of the existing issued share capital of Lai Fung and LSD's entire shareholding interest in Lai Fung, the consideration of which shall be satisfied by the execution by LSG and delivery to LSD, on Completion, of a loan note in an aggregate principal amount of HK\$225,200,000; and
- LSD agreed to assign to Mr. Lim (or his nominee) its rights and benefits in respect of such loan note in consideration of which the liability of LSD to Mr. Lim in respect of the consideration for the ATV Transaction, in the amount of HK\$225,200,000, would be satisfied and discharged.

The ATV Transaction and the Assignment of Debt constitute a connected transaction for LSD under the Listing Rules and the Lai Fung Transaction constitutes a discloseable and connected transaction for both LSD and LSG under the Listing Rules.

Accordingly, the ATV Transaction, the Lai Fung Transaction and the Assignment of Debt are subject to the approval of the respective Independent Shareholders of LSD and LSG in so far as they are applicable to LSD and LSG, respectively. In this regard, at the extraordinary general meeting of LSD to be convened for the purpose, each of LSG, its associates (as defined under the Listing Rules) and members of the Lim Family (in each case as may hold shares in LSD) will abstain from voting on the relevant resolution(s); and at the extraordinary general meeting of LSG to be convened for the purpose, all members of the Lim Family (in each case as may hold shares in LSG) will abstain from voting on the relevant resolution(s).

Circulars containing further information on the Sale and Purchase Agreement, the respective advice of the independent board committees of LSD and LSG, letters from the respective independent financial advisers and notices of the respective extraordinary general meetings will be despatched to shareholders of LSD and LSG as soon as practicable.

The shares of LSG and LSD were suspended from trading on the Stock Exchange with effect from 10:00 am on 10th December, 2001 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of both companies with effect from 10:00 am on 12th December, 2001.

#### Introduction

The respective directors of LSG and LSD announce that on 7th December, 2001, Mr. Lim, LSG and LSD entered into an agreement pursuant to which:

- Mr. Lim agreed to sell and LSD agreed to purchase 125,450,000 shares in the capital of ATV, representing approximately 16.08 per cent. of the existing issued share capital of ATV and Mr. Lim's entire shareholding interest in ATV;
- LSD agreed to sell, and LSG agreed to purchase, 779,958,912 shares in the capital of Lai Fung, representing approximately 25.40 per cent. of the existing issued share capital of Lai Fung and LSD's entire shareholding interest in Lai Fung, the consideration of which shall be satisfied by the execution by LSG and delivery to LSD, on Completion, of the LSG Loan Note; and
- LSD agreed to assign to Mr. Lim (or his nominee) its rights and benefits in respect of the LSG Loan Note in consideration of which the liability of LSD to Mr. Lim in respect of the consideration for the ATV Transaction, in the amount of HK\$225,200,000, would be satisfied and discharged.

#### Sale and Purchase Agreement

##### Date of the Sale and Purchase Agreement

7th December, 2001

##### Parties

1. Mr. Lim
2. LSD
3. LSG

Mr. Lim is Chairman and Managing Director of LSG and Honorary Chairman and an executive director of LSD. He, together with other members of the Lim Family hold direct shareholding interests in LSG and direct and indirect shareholding interest in LSD, as further described below.

##### The ATV Transaction

Subject to the terms and conditions of the Sale and Purchase Agreement, Mr. Lim agreed to sell and/or procure the sale of, and LSD agreed to purchase and/or procure the purchase of, all legal and beneficial title in and to 125,450,000 shares in the capital of ATV, representing approximately 16.08 per cent. of the existing issued share capital of ATV.

The aggregate consideration for the sale and purchase of such shares in the capital of ATV shall be the sum of HK\$225,200,000 which shall be satisfied by the execution by LSD and LSG and delivery to Mr. Lim (or his nominee), on Completion, of the Deed of Assignment.

The consideration of approximately HK\$1.795 per share in the capital of ATV has been struck at a price equivalent to a previous transaction concerning a sale and purchase of ATV Shares in April 1998 when a 46 per cent. stake and a 5 per cent. stake in ATV were sold by Mr. Lim to two purchasers respectively, neither purchaser being a person connected to LSG, LSD or their respective directors or substantial shareholders nor a concert party of any such person. Both the April 1998 transaction and the present ATV Transaction values ATV at approximately HK\$1,400 million. The directors of LSD are satisfied that the April 1998 sale and purchase of ATV shares (by which the valuation of this current transaction has also been struck) was concluded after arm's length negotiations between parties that were independent of each other. Since April 1998, the directors of LSD believe that the financial position and prospects for ATV have improved. The directors of LSD are not in a position to confirm the precise financial methodology relied upon by the purchasers in April 1998.

##### The Lai Fung Transaction

Subject to the terms and conditions of the Sale and Purchase Agreement, LSD agreed to sell and/or procure the sale of, and LSG agreed to purchase and/or procure the purchase of, all legal and beneficial title in and to 779,958,912 shares in the capital of Lai Fung, representing approximately 25.40 per cent. of the existing issued share capital of Lai Fung.

The aggregate consideration for the sale and purchase of such shares in the capital of Lai Fung shall be the sum of HK\$225,200,000 which shall be satisfied by the execution by LSG and delivery to LSD, on Completion, of the LSG Loan Note. The consideration has deliberately been struck at exactly the same level as the consideration for the ATV shares pursuant to the ATV Transaction.

Pursuant to the terms of the LSG Loan Note, the aggregate principal amount of HK\$225,200,000 will be repayable two years from the date of issue of the LSG Loan Note and would bear interest at the Prime Rate.

The consideration of approximately HK\$0.29 per share in the capital of Lai Fung payable by LSG represents a premium of approximately 55.9 per cent. to the closing market price of a Lai Fung share of HK\$0.186 on 7th December, 2001 (being the last trading day preceding the date of this announcement) and a premium of approximately 70.7 per cent. to the average closing market price of a Lai Fung share of HK\$0.17 for the 10 trading days ended on 7th December, 2001. The directors of LSD and LSG have also considered the Lai Fung Transaction by reference to the substantial discount which it represents to the latest audited net asset value per Lai Fung share of HK\$1.86.

##### Assignment of Debt

Mr. Lim, LSD and LSG also agreed that the rights, interest, benefit and title of LSD in and to the LSG Loan Note would, on Completion, be assigned to Mr. Lim (or his nominee) in accordance with the terms of the Deed of Assignment in consideration of which the liability of LSD to Mr. Lim in respect of the consideration for the ATV Transaction would be satisfied and discharged.

As a result, LSG's obligations under the LSG Loan Note would be owed to Mr. Lim (or his nominee). The aggregate principal amount of the LSG Loan Note would continue to be repayable two years from the date of its issue and would continue to bear interest at the Prime Rate, such interest payable monthly in arrears. LSG's obligations under the LSG Loan Note would be unsecured.

##### Terms of the Sale and Purchase Agreement

The terms of the Sale and Purchase Agreement were arrived at after arm's length negotiations between Mr. Lim, LSD and LSG and the respective boards of directors of LSD and LSG (including, subject to their considering the advice of respective independent financial advisers, the independent non-executive directors of LSD and LSG respectively) consider the terms of the Sale and Purchase Agreement to be normal commercial terms and are fair and reasonable and in the interests of all shareholders of LSD and LSG respectively.

##### Conditions Precedent

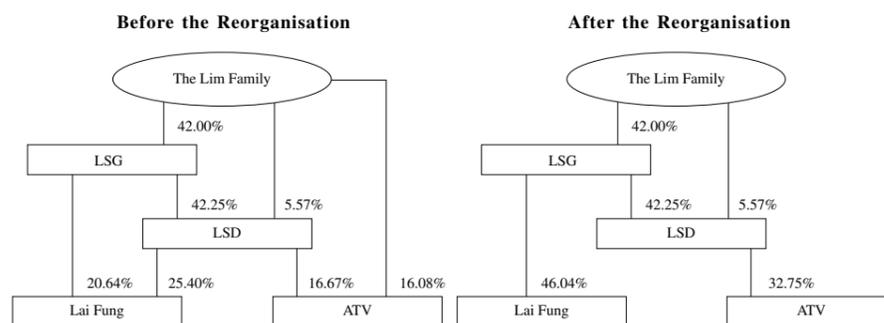
Completion of the transactions is conditional upon the following:-

- each of LSG and LSD having convened an extraordinary general meeting at which resolutions shall have been duly passed by the Independent Shareholders of LSG and LSD, respectively, to approve, among other things, the transactions in so far as they are applicable to LSG and LSD respectively;
- the SFC granting the Waiver and not withdrawing or making any material variation(s) to the Waiver before Completion;
- shareholders of ATV (other than the Lim Family) waiving any pre-emption rights vested in them (if any) in respect of the sale of shares in the capital of ATV under the ATV Transaction;
- the obtaining of all relevant third party consents or governmental or regulatory approvals as are necessary for the purpose of the transactions contemplated by the Sale and Purchase Agreement.

Each of the parties shall use their respective reasonable endeavours to ensure satisfaction of the conditions on or before 30th April, 2002. The Waiver (referred to in paragraph (b) above) has been granted by the SFC. In the event that each of the conditions has not been fulfilled on or before 30th April, 2002 (or such later date as is otherwise agreed between the parties) the Sale and Purchase Agreement shall cease and determine and no party shall have any liability to any other party, save in respect of any antecedent breach.

##### Shareholding structure

The shareholding structure of the relevant companies before and after the Reorganisation is expected to be as follows:-



#### Reasons for and Benefits of the Reorganisation

##### Rationalisation of structure

As shown in the group structure charts above, the investments in each of ATV and Lai Fung are separately held, with the investment in ATV being held by Mr. Lim and LSD and the investment in Lai Fung being held by LSG and LSD.

The reorganisation would effectively consolidate those investments so that they are held by a single entity in each case. The investment in ATV would be solely held by LSD and the investment in Lai Fung would be solely held by LSG. The directors of LSG do not anticipate that there will be major changes to the board of Lai Fung.

##### Business focus of the LSG Group and the LSD Group

As explained below, the Lai Fung Group is primarily engaged in PRC property related businesses. Given that the LSG Group is also involved in property investments in the PRC, the Reorganisation would achieve the goal of more clearly delineating the business focuses of the LSG Group and the LSD Group. After the Reorganisation, the LSD Group would be more focused on Hong Kong property related businesses and media businesses while the LSG Group would retain its overriding focus on PRC property related businesses.

#### Information on ATV

ATV is a private company incorporated in Hong Kong and is licensed by the Broadcasting Authority in Hong Kong to broadcast television programmes. The principal businesses of the ATV Group are the broadcasting, production and sale, licensing and distribution of television programmes.

Based on the unaudited consolidated management accounts of the ATV Group, the consolidated profit before and after tax of the ATV Group for the year ended 31st December, 2000 amounted to HK\$100,030,654 and HK\$91,494,323 respectively; and the consolidated shareholders' deficit, as at 31st December, 2000 was HK\$15,840,726.

#### Information on Lai Fung

Lai Fung is a holding company and its principal subsidiaries are engaged in property development for sale and property investment for rental purposes in the People's Republic of China (excluding Hong Kong).

Audited consolidated net loss before tax of Lai Fung amounted to HK\$165,864,000 and HK\$153,573,000 for the years ended 31st July, 2001 and 2000 respectively. Audited consolidated net loss after tax amounted to HK\$163,796,000 and HK\$32,833,000 for the years ended 31st July, 2001 and 2000 respectively. The audited net asset value of Lai Fung was approximately HK\$5,712,887,000 and HK\$5,018,868,000 as at 31st July, 2001 and 2000 respectively.

#### Businesses of the LSD Group and the LSG Group

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

#### Regulatory implications of the Reorganisation

The ATV Transaction and the Assignment of Debt constitute a connected transaction for LSD under the Listing Rules and the Lai Fung Transaction constitutes a discloseable and connected transaction for both LSD and LSG under the Listing Rules.

Accordingly, the ATV Transaction, the Lai Fung Transaction and the Assignment of Debt are subject to the approval of the respective Independent Shareholders of LSD and LSG in so far as they are applicable to LSD and LSG, respectively.

Circulars containing further information on the Sale and Purchase Agreement, the respective advice of the independent board committees of LSD and LSG, letters from the respective independent financial advisers and notices of the respective extraordinary general meetings will be despatched to shareholders of LSD and LSG as soon as practicable.

Notwithstanding that LSG would, upon completion of the Reorganisation, increase its direct shareholding in Lai Fung to more than 30 per cent. of the issued share capital of Lai Fung, no general offer would be made by LSG to the shareholders of Lai Fung to acquire shares of Lai Fung other than those held by LSG and parties acting in concert with it. A waiver in this regard has been granted by the SFC on the basis that there will not be any effective change in control of Lai Fung as a result of the Reorganisation, since it remains under the effective control of the Lim Family both before and after the Reorganisation.

#### Suspension and resumption of trading

The shares of LSG and LSD were suspended from trading on the Stock Exchange with effect from 10:00 am on 10th December, 2001, pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of both companies with effect from 10:00 am on 12th December, 2001.

#### Terms

Capitalised terms used in this announcement have the following meanings:

"Assignment of Debt"	the assignment by LSD of its rights and interest under the LSG Loan Note in favour of Mr. Lim (or his nominee) in accordance with the provisions of the Deed of Assignment;
"ATV"	Asia Television Limited, a company incorporated in Hong Kong, the registered office of which is at Television House, 81 Broadcast Drive, Kowloon, Hong Kong;
"ATV Group"	ATV and its subsidiaries;
"ATV Transaction"	the sale and purchase of 125,450,000 shares in the capital of ATV between Mr. Lim and LSD;
"Code"	the Hong Kong Code on Takeovers and Mergers;
"Completion"	completion of the Sale and Purchase Agreement in accordance with its terms;
"Deed of Assignment"	a deed of assignment to be entered into between Mr. Lim (or his nominee), LSD and LSG in relation to the LSG Loan Note;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Shareholders"	shareholders of the relevant company excluding (a) in the case of LSG, the Lim Family and (b) in the case of LSD, LSG, its associates (as defined under the Listing Rules) and the Lim Family;
"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;
"LSG"	Lai Sun Garment (International) Limited, a company incorporated in Hong Kong the shares of which are listed on the Stock Exchange;
"LSG Group"	LSG and its subsidiaries;
"Lai Fung"	Lai Fung Holdings Limited, a company incorporated in the Cayman Islands the shares of which are listed on the Stock Exchange;
"Lai Fung Group"	Lai Fung and its subsidiaries;
"Lai Fung Transaction"	the sale and purchase of 779,958,912 shares in the capital of Lai Fung between LSD and LSG;
"Lim Family"	Mr. Lim, Madam U Po Chu (being a spouse of Mr. Lim), Madam Lai Yuen Fong (being a spouse of Mr. Lim) and Mr. Lam Kin Ngok, Peter (being a son of Mr. Lim) together with their respective associates;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"LSG Loan Note"	a loan note to be issued on Completion by LSG in favour of LSD as consideration for the Lai Fung Transaction in an aggregate principal amount of HK\$225,200,000;
"Mr. Lim"	Mr. Lim Por Yen;
"Prime Rate"	the rate announced by or approved by The Hongkong and Shanghai Banking Corporation Limited, from time to time, as its prime rate of interest in Hong Kong for the lending of Hong Kong dollars to its prime corporate customers;
"Reorganisation"	the reorganisation of the shareholdings of ATV and Lai Fung as contemplated by the Sale and Purchase Agreement;
"Sale and Purchase Agreement"	sale and purchase agreement dated 7th December, 2001 between Mr. Lim, LSD and LSG, relating to the ATV Transaction, the Lai Fung Transaction and the Assignment of Debt;
"SFC"	the Securities and Futures Commission of Hong Kong;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Waiver"	a waiver from the Executive of the SFC waiving any obligation on the part of LSG and parties acting in concert with it to make a mandatory general offer for all the Lai Fung Shares which would otherwise arise as a result of the transactions contemplated by the Sale and Purchase Agreement; and
"HK\$"	Hong Kong dollars.

By Order of the Board  
**Lai Sun Garment (International) Limited**  
Yeung Kam Hoi  
Company Secretary  
Hong Kong, 11th December, 2001

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