



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

ANNOUNCEMENT  
MAJOR TRANSACTION

**Sale of a 32.75% shareholding interest in Asia Television Limited  
and a 50% shareholding interest in HKATV.com Limited**

On 8th November, 2002, FDL, IFL, LSD and DGI entered into the DGI Agreement in relation to the sale and purchase of LSD's approximately 32.75% shareholding interest in ATV, and a 50% shareholding interest in HKATV.com (currently held by eSun), for an aggregate consideration of HK\$360 million.

The DGI Transaction constitutes a major transaction for LSD under Chapter 14 of the Listing Rules.

Trading in LSD's shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 11th November, 2002 at the request of LSD pending the release of this announcement. An application has been made for trading in LSD's shares to resume with effect from 9:30 a.m. on 13th November, 2002.

**As the DGI Transaction is subject to a number of conditions precedent, the DGI Transaction may or may not proceed. Shareholders and other investors are therefore advised to exercise caution when dealing in LSD's shares. Further announcements in relation to the progress of the DGI Transaction will be released by LSD as appropriate.**

**1. Parties to the DGI Agreement**

Vendors: (i) FDL  
(ii) IFL  
(iii) LSD

Purchaser: DGI

DGI is an independent third party not connected with the directors, chief executive or substantial shareholders of LSD or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules). DGI is owned by Mr. Chan Wing Kee (as to 80%), the chief executive officer of ATV and Mr. Nan Fang Dong (as to 20%), an independent third party.

**2. The DGI Agreement**

The DGI Agreement provides for the sale by the Vendors and purchase by DGI of approximately 32.75% of the entire issued share capital of ATV and the entire issued share capital of HIL (currently a wholly-owned subsidiary of eSun), a company with a 50% shareholding interest in HKATV.com.

**3. Assets to be sold by LSD**

Under the DGI Agreement, LSD will procure the sale of and DGI will purchase:

- (i) 125,450,000 ATV Shares (representing approximately 16.08% of the total issued share capital of ATV) legally and beneficially owned by IFL (a wholly-owned subsidiary of LSD) (defined in this announcement as the IFL Sale Shares);
- (ii) 130,000,000 ATV Shares (representing approximately 16.67% of the total issued share capital of ATV) legally and beneficially owned by FDL (a wholly-owned subsidiary of LSD) (defined in this announcement as the FDL Sale Shares); and
- (iii) 2 HIL Shares (representing the entire issued share capital of HIL) (defined in this announcement as the HIL Sale Shares) currently legally and beneficially owned by eSun.

Apart from the 32.75% shareholding interest in ATV held by LSD (namely the IFL Sale Shares and the FDL Sale Shares), the Lim Family does not have any shareholding interest in ATV.

The 130,000,000 ATV Shares held by FDL are currently mortgaged in favour of certain trustees, holding the same for the benefit of the Exchangeable Bondholders and the Convertible Bondholders. Accordingly, the sale of such ATV Shares would require the release of the mortgage such that the ATV Shares could be sold free from any encumbrances upon completion of the DGI Agreement. The pro-rata share of the consideration in respect of the sale of the FDL Sale Shares will be used to partially settle the outstanding amounts due under the Exchangeable Bonds and the Convertible Bonds.

Pursuant to the documentation in respect of a loan facility advanced by the IFL Lender to IFL (and guaranteed by LSD), the sale of the IFL Sale Shares requires the consent and approval of the IFL Lender. As at the date of this announcement, the total amount outstanding under the loan facility is HK\$60 million and the proceeds from the sale of the IFL Sale Shares will be used to repay all outstanding amounts due to the IFL Lender under such facility at the time of repayment.

As explained above, the DGI Agreement provides for the purchase by DGI of the entire issued share capital of HIL, a company with a 50% shareholding interest in HKATV.com. HIL is currently a wholly-owned subsidiary of eSun. Accordingly, LSD and eSun had, on 8th November, 2002, entered into the eSun Agreement pursuant to which eSun agreed to sell and LSD agreed to purchase, the entire issued share capital of HIL for a consideration of HK\$46,080,000. The eSun Agreement does not constitute a notifiable transaction for LSD under Chapter 14 of the Listing Rules.

Completion of the eSun Agreement is subject to the fulfilment, among others, of the following conditions precedent:

- (i) the satisfaction or waiver (as the case may be) of all conditions precedent contained in the DGI Agreement, save for the condition relating to the fulfilment or waiver of all conditions precedent contained in the eSun Agreement;
- (ii) the granting or waiver, as the case may be, of any and all consents, authorisations or other permissions required for the consummation of the transactions contemplated by the eSun Agreement (including, without limitation, consent pursuant to share transfer provisions under clause 11 of the shareholders agreement dated 10th March, 2000 made between HIL, ATV and HKATV.com in relation to HKATV.com); and

- (iii) all authorisations, consents and approvals of all governmental or regulatory authorities, agencies or bodies which are necessary or required for the purposes of the transactions contemplated by the eSun Agreement having been obtained.

The eSun Agreement does not provide the parties with the ability to waive any of the conditions precedent.

Shareholders are referred to the connected transaction announcement by eSun of even date which contains further information on the eSun Agreement.

**4. Conditions of the DGI Agreement**

Completion of the DGI Agreement is subject to the fulfilment of the following conditions precedent:

- (i) the fulfillment or waiver of all conditions precedent contained in the eSun Agreement (save as regards any condition as to completion of the DGI Agreement);
- (ii) the consent or approval of the Exchangeable Bondholders and the Chargee of the Bonds Charge to the release of the Bonds Charge over, and the sale of, the FDL Sale Shares pursuant to the DGI Agreement, at a meeting of the Exchangeable Bondholders duly convened and held in accordance with the terms of the Exchangeable Bonds;
- (iii) the consent or approval of the Convertible Bondholders and the Chargee of the Bonds Charge to the release of the Bonds Charge over, and the sale of, the FDL Sale Shares pursuant to the DGI Agreement, at a meeting of the Convertible Bondholders duly convened and held in accordance with the terms of the Convertible Bonds;
- (iv) the consent or approval of the IFL Lender to the sale of the IFL Sale Shares pursuant to the DGI Agreement;
- (v) if required, a simple majority of the shareholders of LSD having approved the transactions contemplated by the DGI Agreement in accordance with the requirements of the Stock Exchange and the Listing Rules;
- (vi) no action having been taken by any of the Chargees, the Exchangeable Bondholders, the Convertible Bondholders and the IFL Lender to sell, transfer or otherwise dispose of any of their respective interests in the IFL Sale Shares and the FDL Sale Shares (as the case may be) except as contemplated under the DGI Agreement; and
- (vii) the grant of all relevant approvals and/or waivers from regulatory authorities in Hong Kong and other jurisdictions including, without limitation, the approval of the Broadcasting Authority and the Chief Executive in Council, if applicable.

The Vendors have agreed to use their best reasonable endeavours to ensure that the conditions referred to in paragraphs 4(i) to (v) above are fulfilled by the Long Stop Date. The Vendors and DGI have agreed to use their best reasonable endeavours to ensure that the condition referred to in paragraph 4(vii) above is fulfilled within 4 months from the earlier of the date on which the conditions referred to in paragraphs 4(i) to (v) above are fulfilled and the Long Stop Date. If any of the conditions are not fulfilled by the dates specified above, LSD will inform its shareholders and other investors by way of an announcement as appropriate.

**5. Consideration for the DGI Transaction**

The aggregate consideration for the sale of the IFL Sale Shares, the FDL Sale Shares and the HIL Sale Shares is HK\$360 million, comprising:

- (i) HK\$10 million by way of deposit (which has been paid by DGI upon execution of the DGI Agreement) of which HK\$5 million will be held in escrow by the Escrow Agent and will be released on completion of the DGI Agreement (or the termination of the DGI Agreement); and
- (ii) HK\$350 million to be paid on completion of the DGI Agreement.

No apportionment of the consideration as between the amount attributable to the IFL Sale Shares, the FDL Sale Shares and the HIL Sale Shares is made in the DGI Agreement.

The deposit referred to in paragraph 5(i) above will be forfeited, together with interest, in certain circumstances specified in the DGI Agreement, including where the conditions precedent set out above are not fulfilled by specified dates or if the Vendors do not comply with their obligations upon completion of the DGI Agreement.

The consideration of HK\$360 million in respect of the 32.75% shareholding interest in ATV and an 50% shareholding interest in HKATV.com was agreed after arm's length negotiations between the parties and was determined by reference to the values attributed to such shareholding interests by Tom.com in July 2002 with whom LSD and eSun had each entered

into a memorandum of understanding in respect of the sale and purchase of such shareholding interests. As set out in the respective announcements of LSD and eSun dated 10th July, 2002, the aggregate consideration in respect of the purchase by Tom.com of the 32.75% shareholding interest in ATV and the 50% shareholding interest in HKATV.com was to be satisfied by the issue of 100 million shares in the capital of Tom.com. Based on the closing price of a share of Tom.com of HK\$3.45 on 10th July, 2002, the value of such consideration shares amounted to HK\$345 million.

## 6. Completion of the DGI Agreement

Completion of the DGI Agreement shall take place on or before 30th April, 2003 (with DGI having the option to extend the period for completion until 15th May, 2003).

## 7. Other major terms of the DGI Agreement

The following are the other major terms of the DGI Agreement:

- (i) the Vendors have agreed to provide exclusivity to DGI for the period up to the earlier of the date of completion of the DGI Agreement and two months following the date on which the DGI Agreement is terminated in accordance with its terms and shall not during this period (a) negotiate or enter into any discussions or sign any agreement, understanding or arrangements (whether legally binding or not) with other third parties or (b) accept, solicit, entertain or consider any offer or offers, in each case in respect of their interest or investment in ATV, HIL and HKATV.com;
- (ii) under the DGI Agreement, the Vendors are required to pay to DGI liquidated damages in the amount of HK\$30 million in the event, among other things (a) that the exclusivity provisions are breached by the Vendors; (b) the relevant consent or approval referred to in paragraphs 4(ii) to (iv) above is revoked or withdrawn after having been granted; or (c) completion of the DGI Agreement does not occur on account of any failure on the part of LSD to comply with its obligations to proceed with completion notwithstanding the fulfilment of all conditions precedent.

## 8. Terms of the DGI Agreement

The terms of the DGI Agreement were arrived at after arm's length negotiations between the parties, and the board of directors of LSD considers the terms of the DGI Agreement to be normal commercial terms that are fair and reasonable and in the best interests of all shareholders and bondholders of LSD.

## 9. Information on ATV, HIL and HKATV.com

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

The net losses (both before and after taxation and extraordinary items) of LSD attributable to the 32.75% shareholding interest in ATV being realised in respect of the financial years ended 31st July, 2001 and 31st July, 2002 were nil (*see note 1 below*) and HK\$234.9 million (*see note 2 below*), respectively. The total carrying value of the 32.75% shareholding interest in ATV is approximately HK\$296 million. Taking into account the cost of acquisition of the entire issued share capital of HIL of HK\$46.08 million pursuant to the eSun Agreement, the gain on disposal of the IFL Sale Shares, the FDL Sale Shares and the HIL Sale Shares, calculated on a pro-forma basis, will be approximately HK\$17.9 million.

HIL is an investment holding company and its sole asset is a 50% shareholding interest in HKATV.com.

HKATV.com is engaged in the business of developing and maintaining the "hkatv.com" website and exploiting certain programme rights principally from ATV and through or in connection with other internet content providers.

As stated in eSun's announcement dated 12th November, 2002, the net losses of eSun attributable to eSun's interest in HIL being accounted for in respect of the financial years ended 31st December, 2000 and 31st December, 2001 were HK\$782.264 and HK\$1,763,626, respectively and the net asset value of HKATV.com is negative.

(Notes:

1. Prior to the acquisition of the IFL Sale Shares by LSD in April 2002, LSD only had an approximately 16.67% shareholding interest in ATV and accordingly, ATV was treated in LSD's financial statements as a long term investment and the results of ATV were not equity accounted for in LSD's financial statements for the year ended 31st July, 2001.
2. The loss of HK\$234.9 million for the year ended 31st July, 2002 represented the amortisation of and impairment in value of goodwill on acquisition of the 32.75% shareholding interest in ATV.)

## 10. Benefits of the DGI Transaction and intended application of proceeds

The directors of LSD consider that the DGI Transaction represents a good opportunity for LSD to realise its investment in ATV under the present operating environment. The proceeds from the DGI Transaction will be applied to partially repay the outstanding amounts due to the Exchangeable Bondholders, the Convertible Bondholders and the IFL Lender with the balance to be used as working capital for LSD.

## 11. Major transaction

Based on the latest audited net tangible assets of the LSD Group, the DGI Transaction constitutes a major transaction for LSD under Chapter 14 of the Listing Rules and is therefore subject to the approval of LSD's shareholders.

An extraordinary general meeting of LSD will be convened as soon as practicable at which an ordinary resolution will be proposed to approve the DGI Agreement and the transactions contemplated thereunder. As Rule 14.10 of the Listing Rules requires a shareholder with a material interest in a major transaction to abstain from voting, ATV, the subject matter of the DGI Agreement and a shareholder with an approximately 5.34% interest in LSD, will be required to abstain from voting at such general meeting.

A circular containing details of the DGI Transaction and a notice to convene the extraordinary general meeting will be sent to shareholders of LSD as soon as practicable and in accordance with the provisions of the Listing Rules.

## 12. Trading in the shares of LSD

Trading in LSD's shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 11th November, 2002 at the request of LSD pending the release of this announcement. An application has been made for trading in LSD's shares to resume with effect from 9:30 a.m. on 13th November, 2002.

As the DGI Transaction is subject to a number of conditions precedent, the DGI Transaction may or may not proceed. Shareholders and other investors are therefore advised to exercise caution when dealing in LSD's shares. Further announcements in relation to the progress of the DGI Transaction will be released by LSD as appropriate.

## Definitions

"ATV"	Asia Television Limited, a company incorporated in Hong Kong;
"ATV Group"	ATV and its subsidiaries and associated companies;
"ATV Shares"	shares of HK\$0.25 each in the issued share capital of ATV;
"Bonds Charge"	the mortgage of shares and security trust deed dated 19th January, 2001 entered into by LSD, amongst others, and pursuant to which security over the FDL Sale Shares has been given to certain trustees, on trust for the benefit of the Exchangeable Bondholders and the Convertible Bondholders;
"Broadcasting Authority"	the Broadcasting Authority of Hong Kong;
"Chargee"	the mortgagee or chargee or security trustee or any other analogous person for the time being in whose favour any security interest has been conferred under and pursuant to the Bonds Charge and Share Charge and any agreements incidental or ancillary thereto;
"Chief Executive in Council"	the Chief Executive of Hong Kong acting after consultation with the Executive Council;
"Convertible Bondholders"	holders of the Convertible Bonds;
"Convertible Bonds"	the US\$150 million convertible guaranteed bonds issued by Lai Sun International Finance (1997) Limited on 4th August, 1997 and guaranteed by LSD;
"DGI"	Dragon Goodwill International Limited, a company incorporated in the British Virgin Islands which is owned as to 80% by Mr. Chan Wing Kee, the chief executive officer of ATV;
"DGI Agreement"	the agreement dated 8th November, 2002 between LSD and DGI relating to the sale and purchase of shares in ATV and HIL;
"DGI Transaction"	the transactions contemplated under the DGI Agreement;
"Escrow Agent"	the Vendors' solicitors;
"eSun"	eSun Holdings Limited, a company incorporated in Bermuda the issued shares of which are listed on the Stock Exchange and a company in which LSD has an approximately 49.99% shareholding interest;
"eSun Agreement"	the agreement dated 8th November, 2002 between eSun and LSD relating to the sale and purchase of the HIL Sale Shares;
"eSun Group"	eSun and its subsidiaries;
"Exchangeable Bondholders"	holders of the Exchangeable Bonds;
"Exchangeable Bonds"	the US\$115 million exchangeable guaranteed bonds issued by Lai Sun International Finance (Cayman Islands) Limited on 28th February, 1997 and guaranteed by LSD;
"FDL"	Fordspace Development Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of LSD;
"FDL Sale Shares"	the 130,000,000 ATV Shares legally and beneficially owned by FDL;
"HIL"	Houseman International Limited, a company incorporated in the British Virgin Islands and currently a wholly-owned subsidiary of eSun;
"HIL Sale Shares"	2 HIL Shares currently owned by eSun (representing the entire issued share capital of HIL);
"HIL Shares"	shares of US\$1.00 each in the issued share capital of HIL;
"HK\$"	Hong Kong dollars;
"HKATV.com"	HKATV.com Limited, a company incorporated in Hong Kong;
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China;
"IFL"	Infoway Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of LSD;
"IFL Lender"	World Cape Limited, a company whose registered office is at 22nd Floor, Central Tower, 28 Queen's Road Central, Hong Kong;
"IFL Sale Shares"	the 125,450,000 ATV Shares legally and beneficially owned by IFL;
"Lim Family"	Mr. Lim Por Yen, Madam U Po Chu (being a spouse of Mr. Lim Por Yen) and Mr. Lam Kin Ngok, Peter (being a son of Mr. Lim Por Yen);
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Long Stop Date"	31st December, 2002;
"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;
"Share Charge"	the Share Charge dated 4th September, 2002 entered into by LSD in favour of the IFL Lender and pursuant to which security over the entire issued share capital of IFL has been given to the IFL Lender thereunder;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Tom.com"	Tom.com Limited, a company incorporated in the Cayman Islands whose shares are listed on the Growth Enterprise Market of the Stock Exchange; and
"Vendors"	FDL, IFL and LSD.

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

Hong Kong, 12th November, 2002