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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Lai Sun Development Company Limited, you should at once hand this circular to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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L A I S U N D E V E L O P M E N T

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

(Stock Code: 0488)

**DISCLOSEABLE TRANSACTIONS**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:—*

“affiliated company”	as defined in Rule 13.11 of the Listing Rules;
“Announcement Date”	12th November, 2004, being the date of the announcement issued by the Company relating advances made to Hillfield since 31st March, 2004 in proportion to the Company’s shareholding interest in Hillfield;
“associates”	as defined in the Listing Rules;
“Board”	the board of Directors;
“Company”	Lai Sun Development Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange;
“Directors”	the directors of the Company;
“Estimated Advances”	further shareholder advances to Hillfield on the same terms as detailed in this circular up to an amount of approximately HK\$40,483,822 after the Announcement Date;
“Group”	the Company and its subsidiaries;
“Hillfield”	Hillfield Trading Limited, a 50%-owned associate and an affiliated company of the Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Individual Future Advance”	each individual future advance to Hillfield falling within the Estimated Advances;
“Latest Practicable Date”	3rd December, 2004, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

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## DEFINITIONS

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“Project”	the Kimberley 26 development project (formerly known as the Furama Court development project) at 26 Kimberley Road, Tsim Sha Tsui, Kowloon, Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shares”	ordinary shares of HK\$0.50 each in the share capital of the Company;
“Shareholders’ Agreement”	a shareholders’ agreement dated 3rd October, 1997 (as novated, varied and supplemented by a novation agreement dated 5th September, 2000 and a supplemental deed dated 19th February, 2003) entered into, inter alia, by the Company and the shareholders of Hillfield; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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## LETTER FROM THE BOARD

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### LAI SUN DEVELOPMENT

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

(Stock Code: 0488)

*Directors:*

Lim Por Yen (*Honorary Chairman*)  
Lam Kin Ngok, Peter (*Chairman and President*)  
Lau Shu Yan, Julius  
Wu Shiu Kee, Keith  
Lam Kin Ming  
U Po Chu  
Chiu Wai  
Shiu Kai Wah  
David Tang\*  
Lam Bing Kwan\*  
Leung Shu Yin, William\*

*Registered Office:*

11th Floor  
Lai Sun Commercial Centre  
680 Cheung Sha Wan Road  
Kowloon  
Hong Kong

\* *Independent Non-executive Directors*

6th December, 2004

*To the Shareholders*

Dear Sir or Madam,

## DISCLOSEABLE TRANSACTIONS

### INTRODUCTION

The Board announced on the Announcement Date that pursuant to, and resulting from, discussions commenced with the Stock Exchange in respect of advances made to Hillfield in proportion to the Company's shareholding interest in such company, the Stock Exchange has exercised its discretion to aggregate each of the advances made to Hillfield since 31st March, 2004 with all advances made during the previous 12-month period of each such relevant advance pursuant to Rule 14.22 of the Listing Rules. As a result of such aggregation, all advances made to Hillfield since 11th May, 2004 constituted discloseable transactions under Rule 14.06(2) of the Listing Rules on the date that the relevant advances were made to Hillfield.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide shareholders of the Company with further information in relation to the advances to Hillfield and other information in compliance with the requirements of the relevant provisions of the Listing Rules.

### ADVANCES TO HILLFIELD

A number of shareholder advances were made by the Company to Hillfield, during the period from 31st March, 2004 (the date on which changes to the Listing Rules introduced by the Stock Exchange on 30th January, 2004 became effective and at which point in time such advances to Hillfield constituted “transactions” under Chapter 14 of the Listing Rules) to 30th October, 2004 inclusive. Reference is also made to the Company’s announcements pursuant to Rules 13.14 and 13.15 of the Listing Rules dated 10th June, 2004 and 3rd November, 2004 in respect of previous advances made to Hillfield on 24th May, 2004 and on 30th October, 2004 in the amounts of HK\$9,650,000 and HK\$4,848,391 respectively. Shareholders should also note that relevant advances to Hillfield have been detailed in the Company’s annual report for the year ended 31st July, 2003, interim report for the 6 months ended 31st January, 2004 in accordance with the then effective Listing Rules and the Company’s results announcement dated 12th November, 2004 for the year ended 31st July, 2004.

All such advances to Hillfield as detailed in this circular have been, and will be, made in proportion to the Company’s shareholding in Hillfield pursuant to the terms of the Shareholders’ Agreement. The advances were provided by the Company and the other shareholder of Hillfield to Hillfield on a pro-rata basis for its on-lending to Bushell Limited, its wholly-owned subsidiary, to finance the Project. The total site area and the total gross floor area of the Project are approximately 960 sq.m. and 10,600 sq.m., respectively. The Project comprises 168 service apartment units in a single block over 4 storeys of commercial podiums and two levels of basement car parks. Construction works in respect of the Project commenced during the second quarter of 2000. The occupation permit in respect of the Project was issued at the end of October 2004 and as at the Latest Practicable Date, an application for a certificate of compliance of the Project with relevant building laws and regulations in Hong Kong is in progress. The balance due from Hillfield is unsecured, interest-free and has no fixed terms of repayment. The terms of such shareholders loans to Hillfield are agreed between the relevant parties as is normal commercial practice for such loans and not specified in the Shareholders’ Agreement. Hillfield is 50%-owned by the Company and it is equity accounted for as an associated company in the consolidated financial statements of the Company.

The Company has advanced in total a sum of HK\$475,985,696 to Hillfield as at the Announcement Date. On the basis of the estimated remaining construction costs relating to the Project and estimated legal and professional fees and other operating expenses in connection with the Project, the Company estimates that it will make further shareholder advances to Hillfield on the same terms up to an amount of approximately HK\$40,483,822 after the Announcement Date (being the Estimated Advances) as required and notified to the Company from time to time by Hillfield from the date of this circular. There is no actual fixed commitment

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## LETTER FROM THE BOARD

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sum under the Shareholders Agreement which simply sets out the method of funding by means of loans and advances for the purposes of the Project. All previous advances to Hillfield were, and the Estimated Advances are to be, funded in cash from the Company's internal resources.

The Board believes the terms of the advances to Hillfield are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The following table sets out the advances made to Hillfield since 31st March, 2004 and the aggregate of each such advance with all advances made over a previous 12-month period.

(1)	(2)	(3)	(4)	(5)
Date of Advance	Advance	Cumulative advances in the previous 12-month period including the relevant advance set out in column (3)	Percentage of cumulative advance on the date of relevant advance set out in column (2) calculated based on the Company's market capitalisation on such date	
1.	27/04/2004	HK\$2,296,591	HK\$25,161,705	4.1%
2.	28/04/2004	HK\$2,387,993	HK\$27,490,073	4.6%
3.	04/05/2004	HK\$176,000	HK\$27,721,408	4.7%
4.	11/05/2004	HK\$108,000	HK\$27,829,408	5.1%
5.	14/05/2004	HK\$3,893,501	HK\$31,722,854	5.7%
6.	24/05/2004	HK\$9,650,000	HK\$40,789,540	7.5%
7.	24/06/2004	HK\$481,217	HK\$40,679,076	8.6%
8.	29/06/2004	HK\$447,000	HK\$41,151,390	8.6%
9.	09/07/2004	HK\$38,950	HK\$41,182,980	8.0%
10.	23/07/2004	HK\$419,352	HK\$41,602,227	9.9%
11.	26/07/2004	HK\$2,659,600	HK\$43,697,352	10.4%
12.	15/09/2004	HK\$9,667,787	HK\$51,610,817	10.5%
13.	30/10/2004	HK\$4,848,391	HK\$50,354,751	9.1%

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## LETTER FROM THE BOARD

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Save for the percentage ratio (as defined in the Listing Rules) calculated by reference to the market capitalisation of the Company at the relevant time, none of the remaining percentage ratios (as defined in the Listing Rules) in respect of the advances to Hillfield since 31st March, 2004 (being the cumulative balances as stated in column 4 above) exceeds 0.7 %. Save for the details set out in this circular pursuant to Chapter 14 of the Listing Rules, the Company is not aware of any circumstances requiring disclosure in this circular under Rules 13.13 to 13.16 of the Listing Rules.

No further announcement will be made by the Company in respect of the Estimated Advances pursuant to Chapter 14 of the Listing Rules after the date of this circular unless:

- (i) future aggregate advances to Hillfield after the date of this circular exceeds the amount of the Estimated Advances; or
- (ii) each Individual Future Advance since any previous disclosed advance(s) to Hillfield from time to time falls within the percentage ratios as a discloseable transaction itself under the Listing Rules; or
- (iii) all Individual Future Advance(s) which had not been previously disclosed by the Company from time to time within a 12-month period in aggregate falls within the percentage ratios as a discloseable transaction under the Listing Rules; or
- (iv) each Individual Future Advance when aggregated with any other advances made to Hillfield by the Company pursuant to the Shareholders Agreement within a 12-month period falls within the percentage ratios as a major transaction or any other transaction (other than a discloseable transaction) under the Listing Rules.

In the event of the occurrence of any of the circumstances set out in paragraphs (i) to (iv) above, the Company will comply with the relevant requirements under the Listing Rules at such time as soon as practicable. The Company will continue to comply with the requirements set out in Rules 13.13 to 13.16 of the Listing Rules after the date of this circular in any event.

To the best of the directors of the Company's knowledge, information and belief and having made all reasonable enquiries, Hillfield (save for being an associated and affiliated company of the Company), the holder of the remaining 50% shareholding interest in Hillfield and the ultimate beneficial owner of such other 50% shareholder of Hillfield are third parties independent of the Company and connected persons of the Company.

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECTS OF THE ADVANCES TO HILLFIELD

The advances to Hillfield are recorded as advance to an associated company in the consolidated balance sheet of the Group and there are no financial effects on the consolidated net deficiency in assets and consolidated profit and loss account of the Group as the advances to Hillfield are non-interest bearing.

### INFORMATION ON THE GROUP

The Company is a holding company with interests in subsidiaries and associates. The principal business activities of the Company and its subsidiaries include property investment, property development for sale, investment in and operation of hotels and restaurants and investment holdings. The principal business activities of the associates of the Company include media, entertainment, internet and technology-oriented businesses, satellite television operations, investment in and operation of hotel, property development for sale and investment holdings.

The principal activities of Hillfield and Bushell Limited, its wholly-owned subsidiary are investment holding and property development for sale respectively.

### GENERAL

The advances to Hillfield since 31st March, 2004, as aggregated by the Stock Exchange with those made in a previous 12-month period as set out in this circular constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and the Company has issued this circular to shareholders of the Company in connection therewith.

Your attention is drawn to the information set out in the appendix to this circular.

Yours faithfully,  
For and on behalf of the Board of  
**Lai Sun Development Company Limited**  
**Lam Kin Ngok, Peter**  
*Chairman and President*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the Shares, underlying Shares of equity derivatives and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein (the “**Register**”); or (c) were required, pursuant to the Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange:

### (a) The Company

Name of Director	Long positions in the Shares				Total	Percentage
	Personal Interests	Family Interests	Corporate Interests	Capacity		
Lim Por Yen	197,859,550	633,400 (Note 1)	1,582,869,192 (Note 2)	Beneficial owner	1,781,362,142	47.55%
Lam Kin Ngok, Peter	10,099,585	Nil	Nil	Beneficial owner	10,099,585	0.27%
Lau Shu Yan, Julius	1,200,000	Nil	Nil	Beneficial owner	1,200,000	0.03%
Wu Shiu Kee, Keith	200,000	Nil	Nil	Beneficial owner	200,000	0.01%
U Po Chu	633,400	1,780,728,742 (Note 3)	Nil	Beneficial owner	1,781,362,142	47.55%
Chiu Wai	195,500	Nil	Nil	Beneficial owner	195,500	0.01%

*Notes:*

1. Mr. Lim Por Yen was deemed to be interested in 633,400 Shares by virtue of the interest in such Shares of his spouse, Madam U Po Chu.
2. Lai Sun Garment (International) Limited (“LSG”) and its wholly-owned subsidiary beneficially owned 1,582,869,192 Shares. Mr. Lim Por Yen was deemed to be interested in such Shares by virtue of his interest (including that of his spouse) of approximately 33.99% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held an interest of approximately 42% in aggregate in the issued share capital of LSG.
3. Madam U Po Chu was deemed to be interested in 1,780,728,742 Shares by virtue of the interest in such Shares of her spouse, Mr. Lim Por Yen.

**(b) Associated corporation**

## eSun Holdings Limited (“eSun”)

## Long positions in shares of eSun

Name of Director	Personal Interests	Family Interests	Corporate Interests	Capacity	Total	Percentage
Lim Por Yen	Nil	Nil	285,512,791 (Note 1)	Beneficial owner	285,512,791	42.54%
U Po Chu	Nil	285,512,791 (Note 2)	Nil	Beneficial owner	285,512,791	42.54%

*Notes:*

1. eSun is an associated corporation of the Company as the Company and its wholly-owned subsidiaries beneficially owned 285,512,791 shares in eSun. LSG and its wholly-owned subsidiary held an interest of approximately 42.25% in the issued ordinary share capital of the Company. Mr. Lim Por Yen was deemed to be interested in such shares in eSun by virtue of his interest (including that of his spouse) of approximately 33.99% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held an interest of approximately 42% in aggregate in the issued share capital of LSG.
2. Madam U Po Chu was deemed to be interested in 285,512,791 shares in eSun by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the Shares, underlying Shares of equity derivatives and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange, or recorded in the Register as aforesaid.

### 3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

So far as is known to the Directors, as at the Latest Practicable Date, the following persons, some of whom are Directors or chief executive of the Company, had an interest in the following long positions in the Shares and underlying Shares of equity derivatives of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

#### Long positions in the Shares

Name	Capacity	Nature (Note A)	Number of Shares	Percentage
LSG	Beneficial owner	Corporate	1,582,869,192	42.25%
Lim Por Yen	Beneficial owner	Personal, Family & Corporate	1,781,362,142	47.55% (Note 1)
U Po Chu	Beneficial owner	Personal & Family	1,781,362,142	47.55% (Note 2)
Lai Yuen Fong	Beneficial owner	Family	1,781,362,142	47.55% (Note 3)
Nice Cheer Investment Limited ("Nice Cheer")	Beneficial owner	Corporate	781,346,935	20.86%
Xing Feng Investments Limited ("Xing Feng")	Beneficial owner	Corporate	781,346,935	20.86% (Note 4)
Chen Din Hwa	Beneficial owner	Corporate	781,346,935	20.86% (Notes 4 and 5)
Chen Yang Foo Oi	Beneficial owner	Family	781,346,935	20.86% (Note 6)

Note A: Personal, family and corporate denote personal interest, family interest and corporate interest respectively.

*Notes:*

1. Mr. Lim Por Yen was deemed to be interested in 1,582,869,192 Shares by virtue of his interest (including that of his spouse) of approximately 33.99% in the issued share capital of LSG. Mr. Lim Por Yen was also deemed to be interested in the 633,400 Shares owned by his spouse, Madam U Po Chu.
2. Madam U Po Chu was deemed to be interested in 1,780,728,742 Shares by virtue of the interest in such Shares of her spouse, Mr. Lim Por Yen.
3. Madam Lai Yuen Fong was deemed to be interested in 1,781,362,142 Shares by virtue of the interest in such Shares of her spouse, Mr. Lim Por Yen.
4. Xing Feng was taken to be interested in 781,346,935 Shares beneficially owned by Nice Cheer due to its corporate interests therein.
5. Mr. Chen Din Hwa was taken to be interested in 781,346,935 Shares by virtue of his corporate interests in Nice Cheer.
6. Madam Chen Yang Foo Oi was deemed to be interested in 781,346,935 Shares by virtue of the interest in such Shares of her spouse, Mr. Chen Din Hwa.

Save as disclosed in this circular, the Directors are not aware of any person as at the Latest Practicable Date who had an interest or short position in the Shares or equity derivatives which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

#### **4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into, or was proposing to enter into any service contract with the Company or any subsidiary of the Company which does not expire or is not terminable by the employing company within one year without payment of compensation other than statutory compensation.

#### **5. COMPETING BUSINESS**

As at the Latest Practicable Date, the following Directors are considered to have interests in businesses which compete or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules:

Mr. Lim Por Yen holds direct personal interest in, or controlling interests in private companies (the “Private Companies”) which are engaged in property investment and development in Kwai Chung (industrial use), Tsuen Wan (industrial use) and Sha Tin (agricultural land) in New Territories and Mongkok (commercial use and offices), Sham Shui Po (commercial use and offices), To Kwa Wan (use as carpark), and Cheung Sha Wan (industrial workshop use) in Kowloon, Hong Kong. Mr. Lim also holds directorships in all the Private Companies. The total gross floor area in the investment property portfolio held by the aforesaid companies amounts to approximately 750,000 sq.ft. with industrial use amounting to approximately 69%, commercial/office uses amounting to approximately 28% and use for carparks amounting to approximately 3%.

Mr. Peter Lam, Mr. Lam Kin Ming and Madam U Po Chu also hold directorships and minority interests (either as beneficiaries or as nominees) respectively in certain of the Private Companies.

Although the above companies may be considered, simply by their very nature, to be in competing businesses with the Group since they are in property investment or property development, the Company does not consider that these are in fact competing with its businesses. All core properties in the existing investment and development property portfolio of the Group are located and concentrated in the Causeway Bay, Cheung Sha Wan, Central and Tsimshatsui areas and are not in close proximity to many of the properties held by the Private Companies. Where the Group holds properties close to the relevant areas, such properties are not used for the same purposes and are not even in the same category as those owned by the Private Companies.

In addition, due to the different locations and different uses of such properties as aforesaid, the market segments and clients targeted by the Private Companies are different from those being catered for by the Group and are not inter related at the relevant locations at which they are situated. Furthermore, the size and scale of operations of the Group as a whole is substantially larger than that of the Private Companies and therefore, such businesses could be considered to operate at different ends of the spectrum.

Madam U Po Chu is the controlling shareholder and a director of a company which operates a Chinese restaurant specialising in cuisine of northern provinces of China in Whampoa Garden, Kowloon. The Group does not have any operations in such area. Whilst the Group does include restaurants as part of its ordinary businesses, it does not operate one in Hong Kong in such cuisine nor ones which caters to the masses. Instead, most restaurants operated by the Company form part of its hotel operations and specialises in Western cuisine. The location of the particular personal operations of Madam U Po Chu and its specialism caters for a different market segment from that of members of the Group which are currently engaged in the hotel and restaurant businesses.

Accordingly, for the reasons set out above, the Company does not consider the personal interests held by the abovementioned directors of the Company (whether held through the Private Companies or personally) to compete in practice with those of the Group.

As the Board is independent from the boards of the aforesaid companies and Mr. Lim Por Yen, Mr. Peter Lam, Mr. Lam Kin Ming and Madam U Po Chu do not control the Board, the Group is capable of carrying on its business independently of, and at arm's length from the business of the aforesaid companies. Pursuant to the Listing Rules, no director of the Company shall vote on any resolution to be passed at meetings of the boards of directors of members of the Group nor be counted in the quorum of such meetings approving any contract or arrangement or any other proposal in which he or any of his/her associates has a material interest.

Save as disclosed above, none of the Directors or his/her associates has an interest in a business which compete or is likely to compete, directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

## **6. LITIGATION**

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

## **7. GENERAL**

- (a) The secretary of the Company is Mr. Yeung Kam Hoi, who is an Associate Member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries and a member of Hong Kong Securities Institute.
- (b) The qualified accountant of the Company is Mr. Alan Tse, who is a Fellow of the Association of Chartered Certified Accountants and a Fellow of the Hong Kong Institute of Certified Public Accountants.
- (c) The Registrars and transfer office of the Company are Tengis Limited at Ground Floor, Bank of East Asia Harbour Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.