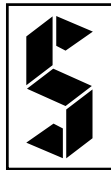

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult your 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 to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Lai Sun Development Company Limited.



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: 488)

DISCLOSEABLE TRANSACTION

**SALE OF INTEREST IN FURAMA RESORT IN DANANG,
VIETNAM**

A letter from the board of directors of the Company is set out on pages 5 to 12 of this circular.

9th May, 2005

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DEFINITIONS

In this circular, unless the context otherwise required, the following expressions shall have the meaning set forth below:

“Agreed Form Documents”	the documents in the form of a document which has been initialled on the date of the Sale and Purchase Agreement for the purpose of identification by or on behalf of the Sellers and Vina (in each case with such amendments as may be agreed by or on behalf of the Sellers and Vina)
“BCF”	Best City Finance Limited, a private company limited by shares and incorporated in the British Virgin Islands and whose registered office is at Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands
“Board”	the board of Directors comprising all of the Directors
“Closing”	the completion of the sale and purchase of the FIHL Shares, assignment of the Shareholder Debt and procurement of the assignment of the Outstanding Fee in accordance with the provisions of the Sale and Purchase Agreement
“Closing Date”	means 8th July, 2005 or such other date as the Sellers and Vina shall agree in advance of 8th July, 2005, in writing
“Company”	Lai Sun Development Company Limited, a public company limited by shares incorporated in Hong Kong, the shares of which are listed on the Stock Exchange whose registered office is at 11/F Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong
“Conditions”	the conditions of Closing as set out in the Sale and Purchase Agreement
“Directors”	the directors of the Company
“Disclosure Letter”	the letter from the Sellers to Vina executed and delivered on the same date as the Sale and Purchase Agreement

DEFINITIONS

“Escrow Agent”	The Law Debenture Trust (Asia) Limited whose registered office is at Room 1904, 19th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
“Escrow Agreement”	the agreement between the Sellers, Vina and the Escrow Agent dated 8th April, 2005
“FHEL”	Furama Hotels Enterprises Limited, a company incorporated under the laws of Hong Kong whose registered office is at 5/F., Majestic Hotel, 348 Nathan Road, Kowloon, Hong Kong
“FHRI”	Furama Hotels and Resorts International Limited, a company incorporated under the laws of the British Virgin Islands and whose registered office is at P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
“FIHL”	Furama International Hoteliers Limited, a private company limited by shares and incorporated in the British Virgin Islands and whose registered office is at Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands
“FIHL Shares”	the entire issued share capital of FIHL being 1,000 ordinary shares of US\$1 each
“Furama Resort”	Furama Resort located at Bac My An Ward, Da Nang City, Vietnam which is owned by IBHJV
“Group”	the Company and its subsidiaries
“Guarantor”	the Company as guarantor under the Sale and Purchase Agreement, pursuant to which the Company unconditionally and irrevocably guarantee to Vina as a continuing obligation the proper and punctual performance by the Sellers of all their obligations under or pursuant to the Sale and Purchase Agreement and related Transaction Documents
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“IBH”	Indochina Beach Hotel Limited, a private company limited by shares incorporated in the British Virgin Islands and whose registered office is at Columbus Centre Building, Wickhams Cay I, Road Town, Tortola, British Virgin Islands
“IBHJV”	Indochina Beach Hotel Joint Venture Limited, a joint-venture company limited by shares and incorporated in Vietnam whose registered office is at 68 Ho Xuan Huong Street, Bac My An Ward, Da Nang City, Vietnam
“Latest Practicable Date”	3rd May, 2005, 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
“Operation and Management Agreement”	the agreement dated 16th August, 1994 made between IBHJV and Majestic International Hotels Limited (which changed its name to FHRI on 8th July, 1997) and amended and modified by a supplemental agreement dated 25th December, 1996
“Outstanding Fee”	the amount of fees outstanding as at the Closing Date from IBHJV to FHRI under the terms of the Operation and Management Agreement
“Sale and Purchase Agreement”	the sale and purchase agreement dated 8th April, 2005 made between the Sellers, Vina, the Company and FHRI relating to the Transaction
“Shareholders Debt”	in relation to FIHL any amounts owed as at Closing by FIHL to the Sellers, together with accrued interest, if any, up to the date of Closing under the terms of the loan agreement dated 7th December, 2004 between FHEL (as lender) and FIHL (as borrower) and the loan agreement dated 7th December, 2004 between TIL (as lender) and FIHL (as borrower)

DEFINITIONS

“Shares”	ordinary shares of HK\$0.50 each in the share capital of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“TIL”	Transformation International Limited, a company incorporated under the laws of the British Virgin Islands whose registered office is at P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
“Transaction Documents”	the Sale and Purchase Agreement, the Disclosure Letter and any other Agreed Form Documents
“Transaction”	the sale by the Sellers of the FIHL Shares, the assignment by the Sellers of the Shareholder Debt and procurement by the Sellers of the assignment of the Outstanding Fee to Vina pursuant to the Sale and Purchase Agreement, as further described in this circular
“US”	United States of America
“US\$”	US dollars, the lawful currency of US
“Vina”	Vina Investment Group Ltd., a company incorporated under the laws of the British Virgin Islands whose registered office is at Vanterpool Plaza, 2nd Floor, Wickhams Cay I, Road Town, Tortola, British Virgin Islands

LETTER FROM THE BOARD



LAI SUN DEVELOPMENT

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

(Stock Code: 488)

Executive Directors:

Mr. Lam Kin Ngok, Peter (*Chairman and President*)
Mr. Lau Shu Yan, Julius
Mr. Wu Shiu Kee, Keith

Registered office:

11/F Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

Non-executive Directors:

Mr. Lam Kin Ming
Madam U Po Chu
Mr. Chiu Wai
Mr. Shiu Kai Wah

Independent non-executive Directors:

Mr. David Tang
Mr. Lam Bing Kwan
Mr. Leung Shu Yin, William

9th May, 2005

To the Shareholders

Dear Sir or Madam

DISCLOSEABLE TRANSACTION

SALE OF INTEREST IN FURAMA RESORT IN DANANG, VIETNAM

I. INTRODUCTION

As stated in the announcement of the Company dated 15th April, 2005, the Directors are pleased to announce that Furama Hotel Enterprises Limited (*FHEL*) and Transformation International Limited (*TIL*), two wholly-owned subsidiaries of the Company, have agreed to sell the entire issued share capital of Furama International Hoteliers Limited (*FIHL*) to Vina Investment Group Ltd. (*Vina*).

LETTER FROM THE BOARD

The Transaction constituted a discloseable transaction for the Company under rule 14.06(2) of the Listing Rules. The purpose of this circular is to provide you with further details about the Transaction.

II. THE SALE AND PURCHASE AGREEMENT

- Date of Agreement: 8th April, 2005
- Parties:
1. FHEL and TIL as Sellers;
 2. Company as Guarantor;
 3. Vina as purchaser; and
 4. FHRI.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Vina and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

The following is a summary of the principal terms and conditions of the Sale and Purchase Agreement.

Assets being disposed

The Sellers have agreed to sell the FIHL Shares, representing the entire issued share capital of FIHL to Vina. The Sellers have agreed to assign the Shareholder Debt, being the amount outstanding on the Closing Date under the two loan agreements, both dated 7th December, 2004, between the Sellers (as lenders) and FIHL (as borrower) to Vina. The Sellers have also agreed to procure the assignment of the Outstanding Fee to Vina. The Outstanding Fee is the amount actually outstanding on the Closing Date and owed by IBHJV, a 62.63% indirect subsidiary of the Company and the owner of the Furama Resort, to FHRI, a wholly-owned subsidiary of the Company, under the Operation and Management Agreement.

Price

The aggregate purchase price for the FIHL Shares, Shareholders Debt and Outstanding Fee (together the *Assets*) is US\$16,800,000 (being approximately HK\$131 million) (the *Price*). The Price is payable in several instalments. Vina paid the first instalment of US\$4,000,000 (being approximately HK\$31 million) to the Escrow Agent on signing of the Sale and Purchase Agreement on 8th April, 2005.

LETTER FROM THE BOARD

On 9th May, 2005, Vina is required to pay the Escrow Agent a further instalment of US\$4,700,000 (being approximately HK\$37 million) to be held by the Escrow Agent in accordance with the terms of the Escrow Agreement.

On 8th June, 2005, Vina is required to pay the Escrow Agent a further instalment of US\$4,700,000 (being approximately HK\$37 million) to be held by the Escrow Agent in accordance with the terms of the Escrow Agreement.

On Closing, Vina is required to pay the balance of the Price, which is the sum of US\$3,400,000 (being approximately HK\$27 million), to the Escrow Agent.

On Closing, the money paid to the Escrow Agent by Vina will be released by the Escrow Agent to Law Debenture Corporation (H.K.) Limited acting as security trustee of HK\$266,058,100 zero coupon bonds due 31st December, 2005 issued by Lai Sun International Finance (2004A) Limited and guaranteed by the Company and constituted by the trust deed dated 7th December, 2004 (the *Series A Bonds*). The terms of the Series A Bonds were set out in the Company's circular dated 15th September, 2004.

The Price and other terms and conditions of the Sale and Purchase Agreement were negotiated with Vina following an invitation made by the Company through its professional property advisers to prospective purchasers of the Assets. The bidding process including, without limitation, the negotiations were conducted on an arm's length basis.

The assignment of the Outstanding Fee will be the amount of fees outstanding from IBHJV to FHRI under the terms of the Operation and Management Agreement as at 8th July, 2005 or such other date as the Sellers and Vina shall agree as the Closing Date in advance of 8th July, 2005, in writing.

In the Sale and Purchase Agreement, the Sellers warrant to Vina, amongst other things, that on Closing the total amount of the Shareholder Debt will not be less than HK\$ 187,423,806 and the Outstanding Fee will not be less than US\$300,000 (being approximately HK\$2.3 million). There will be no adjustment of the Price to reflect the actual amount of Shareholder Debt and Outstanding Fee on Closing and therefore, the Sellers' warranty was an estimate of the minimum amount of the Outstanding Fee as at Closing, which will include the management fees that FHRI accumulates from 28th February, 2005 to Closing under the Operation and Management Agreement, which Vina has found acceptable.

LETTER FROM THE BOARD

Guarantee

The Company as Guarantor has unconditionally and irrevocably guaranteed to Vina as a continuing obligation the proper and punctual performance by the Sellers of all their obligations under or pursuant to the Sale and Purchase Agreement and related Transaction Documents.

Management Extension

The Furama Resort is owned by IBHJV and is currently managed by FHRI under the Operation and Management Agreement. Vina intends the Furama Resort to be managed by FHRI and to keep its name after Closing. As the existing Operation and Management Agreement between IBHJV and FHRI expires on 31st March, 2006, Vina has agreed to procure IBHJV to extend the Operation and Management Agreement for a further two years after Closing and to make an advance payment of US\$1,400,000 (being approximately HK\$11 million) to FHRI. The extension of the Operation and Management Agreement will allow Vina to continue to use the name Furama Resort for the duration of the extended term.

If IBHJV fails to extend the Operation and Management Agreement or the Ministry of Planning and Investment of Vietnam fails to approve the extension within 60 days after Closing, Vina will in any event make the payment referred to above of US\$1,400,000 (being approximately HK\$11 million) to FHRI for and on behalf of IBHJV. On receipt of this money from Vina, and whether or not the two year extension of the Operation and Management Agreement has taken effect, FHRI shall continue to manage the Furama Resort in accordance with the Operation and Management Agreement without any further payment until the expiry of the original term on 31st March, 2006. On the expiry of the original term, if the two year extension of the Operation and Management Agreement has not taken effect, FHRI will be available for a period of two years from Closing at the request of Vina and/or IBHJV to perform the provisions of the Operation and Management Agreement.

Conditions

The Sale and Purchase Agreement is subject to the satisfaction or, in the case of the Second Condition below only, waiver by the Sellers of the following Conditions:

1. there being no subsisting order or injunction issued by any court of competent authority against the Sellers preventing them from completing the transactions contemplated in the Sale and Purchase Agreement (the *First Condition*); and

LETTER FROM THE BOARD

2. the following payments having been paid by Vina on the following dates: (i) US\$4,700,000 (being approximately HK\$37 million) on the 9th May, 2005; and (ii) US\$4,700,000 (being approximately HK\$37 million) on 8th June, 2005 or such other dates as may be agreed in advance of the above dates, in writing, by the Sellers and Vina (the *Second Condition*).

Termination

The Sale and Purchase Agreement may be terminated by Vina if:

1. the Sellers fail to perform any of their (i) pre-closing obligations which include, amongst other things, procuring that the business of each company being sold will in all material respects be conducted only in the ordinary and usual course; and (ii) closing obligations which include, amongst other things, the delivery to Vina of a duly executed transfer into the name of Vina in respect of all the FIHL Shares and assignment deeds signed by the Sellers and FHRI respectively, in relation to the assignment of the Shareholders Debt and the Outstanding Fee; or
2. there are any fraudulent misrepresentations committed by the Sellers in relation to the Transaction prior to Closing; or
3. the First Condition is not met or fulfilled by 31st July, 2005 or such other date as may be agreed in advance of such date, in writing, by the Sellers and Vina; or
4. there are material breaches of one or more warranties given by the Sellers and deemed to be repeated on the Closing Date and such breach or breaches arise from or in relation to matters other than those set out below and which taken together, have or will have, a financial effect of US\$1,000,000 (being approximately HK\$8 million) or more.

Vina will not have a right to terminate the Sale and Purchase Agreement if such breach or breaches of warranty given by the Sellers arise from or are in relation to the ordinary course of IBHJV's operation including without limitation the ordinary business of the Furama Resort and are not within the Sellers reasonable control.

The Sale and Purchase Agreement may be terminated by the Sellers if Vina fails to fulfil the Second Condition.

Closing

The Closing Date of the Transaction is expected to be 8th July, 2005 or such other date as the Sellers and Vina shall agree in advance of 8th July, 2005, in writing. The Company will make a further announcement if the Closing Date is not 8th July, 2005.

LETTER FROM THE BOARD

The Directors believe that the terms of the Transaction are fair and reasonable and in the interest of the shareholders as a whole.

III. FINANCIAL EFFECTS OF THE DISPOSAL

The audited consolidated turnover of FIHL for the financial years ended 31st July, 2004 and 2003 attributable to Company's audited consolidated profit and loss accounts was approximately HK\$49 million and HK\$48 million, respectively. The audited consolidated net profits (both before and after taxation and extraordinary items) of FIHL for the financial years ended 31st July, 2004 and 2003 attributable to the Company's audited consolidated profit and loss accounts was approximately HK\$3.3 million and HK\$1.3 million respectively.

The audited consolidated total assets of FIHL as at 31st July, 2004 attributable to the Company's audited consolidated balance sheet was approximately HK\$192 million. The audited consolidated net asset value of FIHL as at 31st July, 2004 attributable to the Company's audited consolidated balance sheet, after elimination of intra-group balances, was approximately HK\$131 million. The Outstanding Fee, as at 31st July, 2004 was approximately HK\$10 million.

The outstanding balance of the Shareholder Debt as at 31st July, 2004 was approximately HK\$194 million.

Taking into account the consideration of US\$16,800,000 (being approximately HK\$131 million) for the Assets the estimated loss arising from the disposal by the Group of the Assets will be approximately HK\$10 million before expenses. The estimated loss arising from the disposal is calculated based on the audited consolidated net asset value of FIHL as at 31st July, 2004 and the Outstanding Fee as at 31st July, 2004. Accordingly, the actual loss to be recorded in the Company's consolidated profit and loss account will be recalculated based on the actual consolidated net asset value of FIHL attributable to the Company and the actual amount of Outstanding Fee as at the date of Closing, and is expected to be different from the amount disclosed above.

On Closing, FIHL, IBH, BCF and IBHJV will cease to be subsidiaries of the Group and their assets and liabilities will no longer be included in the Company's consolidated balance sheet.

LETTER FROM THE BOARD

IV. REASONS FOR AND BENEFITS OF THE TRANSACTION AND USE OF PROCEEDS

The Company will use the entire proceeds of the Transaction which is US\$16,800,000 (being approximately HK\$131 million), but not the management fee payable to FHRI by Vina or IBHJV which is US\$1,400,000 (being approximately HK\$11 million), for the partial repayment of the Series A Bonds. This is a commitment of the Company to raise funds to reduce or eliminate the indebtedness of approximately HK\$266 million owed by the Company to the holders of the Series A Bonds. The entire proceeds of the Transaction except for the US\$1,400,000 (being approximately HK\$11 million) will be paid by the Escrow Agent directly to Law Debenture Corporation (H.K.) Limited acting as security trustee in relation to the Series A Bonds. FHRI will retain the US\$1,400,000 to complete the future performance of services under the Operation and Management Agreement.

V. BACKGROUND INFORMATION ON THE SELLERS

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 holding. The principal business activities of the associates of the Company include media, entertainment, film and music production and satellite television operations.

The Sellers, which are two wholly-owned subsidiaries of the Company, are beneficially interested in the entire issued share capital of FIHL being 1,000 ordinary shares of US\$1 each.

The Company, through the Sellers and FIHL which is a wholly-owned subsidiary of the Sellers, is the beneficial owner of 83.5% of the share capital of each of BCF and IBH being 835 ordinary shares of US\$1 each in the share capital BCF and 167,084 ordinary shares of US\$1 each in the share capital of IBH. The remaining 16.5% of the share capital in each of BCF and IBH is owned by companies who and whose ultimate beneficial owners are, third parties independent of the Company and connected persons of the Company, save for the companies being substantial shareholders of BCF and IBH respectively.

IBH is the holder of a 75% interest in the capital contribution of IBHJV which owns 100% of the Furama Resort. The remaining 25% of the share capital of IBHJV is owned by a company who and whose ultimate beneficial owner is, a third party independent of the Company and connected persons of the Company, save for the company being a substantial shareholder of IBHJV. Therefore, the Sellers indirectly own a 62.63% interest in the capital contribution of IBHJV.

LETTER FROM THE BOARD

FHRI is a wholly-owned subsidiary of the Company.

The construction of the Furama Resort was completed in 1997 and the Furama Resort was the first five star luxury resort to open in Vietnam in the central capital coastal city of Da Nang which is situated on China Beach. The Furama Resort consists of 198 luxury rooms and suites, as well as providing function rooms for private dining, cocktail receptions, seminars and conferences for up to 600 people.

FHEL, FIHL, IBH and TIL's principal business activity is investment holding. IBHJV's principal business activity is its investment in and operation of the Furama Resort. BCF's principal business activity is the provision of financial services to IBHJV.

VI. BACKGROUND INFORMATION ON THE PURCHASER

Vina's principal business activities are energy (i.e. power plants and petroleum exploitation), infrastructure (i.e. roads and urban infrastructure), real property, vehicle assembly and trading, finance and banking.

VII. ADDITIONAL INFORMATION

Your attention is drawn to the general 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 OF DIRECTORS OR CHIEF EXECUTIVE OF THE COMPANY

As at the Latest Practicable Date, the following Directors and the chief executive of the Company were interested in the following shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (*SFO*)) which would be required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) entered into the register kept by the Company pursuant to Section 352 of the SFO (the *Register*); or (iii) notified to the Company and the Stock Exchange pursuant to the Code for Securities Transactions by Directors adopted by the Company:

(a) The Company

Name of Director	Personal Interests	Family Interests	Long positions in the Shares		Capacity	Total	Percentage
			Corporate Interests	Other Interests			
Lam Kin Ngok, Peter	10,099,585	Nil	1,582,869,192 (Note 1)	1,525,064,688 (Note 2)	Beneficial owner	3,118,033,465	24.46%
Lau Shu Yan, Julius	1,200,000	Nil	Nil	0	Beneficial owner	1,200,000	0.0094%
Wu Shiu Kee, Keith	200,000	Nil	Nil	0	Beneficial owner	200,000	0.0016%
U Po Chu	633,400	Nil	1,582,869,192 (Note 1)	0	Beneficial owner	1,583,502,592	12.42%
Chiu Wai	195,500	Nil	Nil	0	Beneficial owner	195,500	0.0015%

Notes:

- Lai Sun Garment (International) Limited (*LSG*) and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares. Mr. Lam Kin Ngok, Peter and Madam U Po Chu were deemed to be interested in such shares by virtue of their respective deemed interest in approximately 33.73% of the issued share capital of LSG.

2. Mr. Lam Kin Ngok, Peter granted the Bondholders (as defined in the Company's circular to its shareholders dated 15th September, 2004) of the Company a non-assignable right to put to him 3,800,040,000 shares in two tranches (first tranche: 1,000,600,000 shares exercisable during the period from 8th February to 7th March, 2005; second tranche: 2,799,440,000 shares exercisable during the period from 1st November to 30th November, 2005). As at the Latest Practicable Date, the aforesaid right attached under the first tranche of shares had expired while the number of shares in the second tranche with that right attached was 1,525,064,688.

(b) Associated Corporation

eSun Holdings Limited (*eSun*)

Name of Director	Personal Interests	Long positions in shares of eSun			Total	Percentage
		Family Interests	Corporate Interests	Capacity		
Lau Shu Yan, Julius	500,000	Nil	Nil	Beneficial owner	500,000	0.074%

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' INTEREST

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 and short 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 <i>(Note 1)</i>	Number of Shares	Percentage
eSun	Beneficial owner	Corporate	5,200,000,000	40.80%
LSG	Beneficial owner	Corporate	1,582,869,192	12.42%
Lam Kin Ngok, Peter	Beneficial owner	Personal, Corporate and Other	3,118,033,465	24.46% <i>(Note 2)</i>
U Po Chu	Beneficial owner	Personal and Corporate	1,583,502,592	12.42% <i>(Note 3)</i>
Nice Cheer Investment Limited <i>(Nice Cheer)</i>	Beneficial owner	Corporate	781,346,935	6.13%
Xing Feng Investments Limited <i>(Xing Feng)</i>	Beneficial owner	Corporate	781,346,935	6.13% <i>(Note 4)</i>
Chen Din Hwa	Beneficial owner	Corporate	1,047,079,435	8.21% <i>(Notes 4 and 5)</i>
Chen Yang Foo Oi	Beneficial owner	Family	1,047,079,435	8.21% <i>(Note 6)</i>
Lehman Brothers Holdings Inc.	Beneficial owner	Corporate	760,421,512	5.97%

Short positions in the shares

Name	Capacity	Nature	Number of	
			Shares	Percentage
Chen Din Hwa	Beneficial owner	Corporate	265,732,500	2.08% (Note 5)
Chen Yang Foo Oi	Beneficial owner	Family	265,732,500	2.08% (Note 7)
Lehman Brothers Holdings Inc.	Beneficial owner	Corporate	760,421,512	5.97%

Notes:

1. Personal, family and corporate denote personal interest, family interest and corporate interest, respectively.
2. Mr. Lam Kin Ngok, Peter granted the Bondholders (as defined in the Company's circular to its shareholders dated 15th September, 2004) of the Company a non-assignable right to put to him 3,800,040,000 shares in two tranches (first tranche: 1,000,600,000 shares exercisable during the period from 8th February to 7th March, 2005; second tranche: 2,799,440,000 shares exercisable during the period from 1st November to 30th November, 2005). As at the Latest Practicable Date, the aforesaid right attached under the first tranche of shares had expired while the number of shares in the second tranche with that right attached was 1,525,064,688.
3. LSG and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares. Mr. Lam Kin Ngok, Peter and Madam U Po Chu were deemed to be interested in such shares by virtue of their respective deemed interest in approximately 33.73% of the issued share capital of LSG.
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. In addition, 265,732,500 shares were allotted by the Company to Absolute Gain Trading Limited on 7th December, 2004 as part of the Bonds Settlement (as defined in the Company's circular to its shareholders dated 15th September, 2004). Mr. Chen was taken to be interested in the 265,732,500 shares owned by Absolute Gain Trading Limited by virtue of his controlling interest therein. Also, Mr. Chen was taken to be interested in a short position of 265,732,500 shares by virtue of his controlling interest in Absolute Gain Trading Limited.
6. Madam Chen Yang Foo Oi was deemed to be interested in 1,047,079,435 shares by virtue of the interest in such shares of her spouse, Mr. Chen Din Hwa.
7. Madam Chen Yang Foo Oi was deemed to be interested in a short position of 265,732,500 shares by virtue of the interest in such short position of 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. COMPETING BUSINESS

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

Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and Madam U Po Chu hold directorships and minority interests (either as beneficiaries or as nominees) in certain 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.

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 and hotels as part of its ordinary businesses, it does not operate one in Hong Kong in such 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. Lam Kin Ngok, Peter, 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 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.

5. DIRECTORS' SERVICE CONTRACTS

As a the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the relevant member of the Group within one year without payment of compensation, other than statutory compensation.

6. LITIGATION

No member of the Group is engaged in any litigation or claim of material importance and, so far as the Board is aware, no litigation or claim of material importance is pending or threatened against any member of the Group.

7. MISCELLANEOUS

- (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 View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.