THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 and the accompanying form of proxy 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.

LAI SUN DEVELOPMENT

Lai Sun Development Company Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 0488)

MAJOR TRANSACTION

SALE OF 50% OF THE ENTIRE ISSUED SHARE CAPITAL OF, AND LOANS ADVANCED (IF ANY) TO, FORTUNE SIGN VENTURE INC.

A letter from the board of directors of LSD is set out on pages 5 to 13 of this circular.

A notice convening an extraordinary general meeting of LSD to be held at The Chater Room I, Function Room Level (B1), The Ritz-Carlton Hong Kong, 3 Connaught Road, Central, Hong Kong on Wednesday, 30th June, 2004 at 10:00 a.m. is set out on pages 39 and 40 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to LSD's Registrars, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such extraordinary general meeting. Completion and return of the form of proxy shall not preclude you from attending and voting in person at such extraordinary general meeting or at any adjourned extraordinary general meeting should you so wish.

14th June, 2004

CONTENTS

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

"Agreement"	the sale and purchase agreement entered into by LSD and Eternal Force to give effect to the Transaction dated 5th May, 2004;
"associates"	as defined in the Listing Rules;
"Attributable Net Assets"	the consolidated net tangible asset value of the Fortune Sign Group as at the date of Completion to be determined by reference to the audited consolidated balance sheet of Fortune Sign as at the close of business on the date of Completion to be prepared and agreed or determined in accordance with the Agreement;
"Completion"	the completion of the sale by LSD and the purchase by Eternal Force of the Sale Shares and the Sale Advances, and the other matters set out in the Agreement;
"Completion Adjustment"	adjustments to the consideration for the sale and purchase of the Sale Shares pursuant to the terms of the Agreement, as summarised in the paragraph headed "Consideration for the Transaction" of this circular;
"Conditions"	the conditions precedent to Completion as detailed in the paragraph headed "Conditions to the Agreement and Completion" of this circular;
"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;
"Directors"	the directors of LSD;
"EGM"	the extraordinary general meeting of LSD to be held on Wednesday, 30th June, 2004 at The Chater Room I, Function Room Level (B1), The Ritz-Carlton Hong Kong, 3 Connaught Road, Central, Hong Kong at 10:00 a.m., the notice of which is set out on pages 39 and 40 of this circular;

"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 a shareholding interest of approximately 42.54%;
"eSun Group"	eSun and its subsidiaries;
"Eternal Force"	Eternal Force Limited, a company incorporated in Hong Kong;
"Exchangeable Bondholders"	holders of the Exchangeable Bonds;
"Exchangeable Bonds"	the US$115 million exchangeable guaranteed bonds issued by Lai Sun International Finance (Cayman Islands) Limited on 28th February, 1997 and guaranteed by LSD;
"Fortune Sign"	Fortune Sign Venture Inc., a company incorporated in the British Virgin Islands, whose shares are beneficially wholly owned by LSD as at the Latest Practicable Date and which indirectly beneficially holds the Owned Properties;
"Fortune Sign Group"	the group of companies comprising Fortune Sign and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China;
"Latest Practicable Date"	8th June, 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;
"Long Stop Date"	31st July, 2004 (or such other date as LSD and Eternal Force may agree in writing);
"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;
"Majestic Centre"	the shopping centre known as the "Majestic Centre" located at No. 348 Nathan Road, Kowloon, Hong Kong which together with the Majestic Hotel, covers a site area of approximately 1,969 sq. metres and includes retail shops and entertainment and leisure outlets;
"Majestic Hotel"	the hotel known as the "Majestic Hotel" located at No. 348 Nathan Road, Kowloon, Hong Kong, which together with the Majestic Centre, covers a site area of approximately 1,969 sq. metres and includes 380 guestrooms, function room and business centre;
"Owned Properties"	the Majestic Hotel and the Majestic Centre, Kowloon, Hong Kong;
"Sale Advances"	50% of all indebtedness owed by Fortune Sign to LSD comprising all amounts whether principal, interest or otherwise owing and outstanding as at Completion (if any) and 50% of such aggregate indebtedness as at 31st March, 2004 amounted to HK$19,524,914;
"Sale Shares"	5 ordinary shares of US$1.00 each in the capital of Fortune Sign, representing 50% of the entire issued and paid-up share capital of Fortune Sign to be sold by LSD to Eternal Force;
"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 LSD;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Transaction"	the sale by LSD, and the purchase by Eternal Force, of the Sale Shares and the Sale Advances and the other matters contemplated by the Agreement; and

"Warranties"	the representations, warranties and undertakings given by LSD contained or referred to in the Agreement as regards inter alia, the authority and capacity of LSD and the Fortune Sign Group to enter into documents, the audited accounts of the Fortune Sign Group as at 31st March, 2003, tax records and returns, corporate, trading and commercial matters, the Owned Properties and licences for the operation of the Majestic Hotel.

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)

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*

* *Independent Non-executive Directors*

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

14th June, 2004

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
SALE OF 50% OF THE ENTIRE ISSUED SHARE CAPITAL OF, AND LOANS ADVANCED (IF ANY) TO, FORTUNE SIGN VENTURE INC.

INTRODUCTION

The board of Directors of LSD announced that on 5th May, 2004, LSD entered into the Agreement in relation to the Sale Shares and the Sale Advances for an aggregate consideration of HK$185,000,000 (subject to adjustment). The consideration has taken into account an agreed value of the Owned Properties of HK$870,000,000 and a new loan in the principal amount of HK$500,000,000 which is to be procured and drawn down before Completion. The Sale Shares and Sale Advances represent 50% of LSD's interest in the Majestic Hotel and the Majestic Centre, located at No. 348 Nathan Road, Kowloon, Hong Kong. Completion of the

Agreement is subject to the satisfaction (or waiver, other than of the condition precedent set out in paragraph (i) below, as applicable) of certain conditions precedent including but not limited to the following:

(i) the passing of the ordinary resolution to be proposed at the EGM by the shareholders of LSD who are eligible to vote at the EGM as required by the Listing Rules to approve the Agreement and the transactions contemplated thereunder;

(ii) a new loan in the principal amount of not less than HK$500 million being procured by LSD and Eternal Force, and proposed, on Completion, to be advanced directly to the Fortune Sign Group and secured on the Fortune Sign Group's assets; and

(iii) Eternal Force notifying LSD on or before 6:00 p.m. on 21st May, 2004 that it is satisfied as to the title of the respective members of the Fortune Sign Group to the Owned Properties.

The entire proceeds from the Transaction will be used to reduce indebtedness and for the purpose of working capital.

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

The purpose of this circular is to give shareholders of LSD further information regarding the Agreement and the transactions contemplated therein and the notice convening the EGM to consider and approve, amongst other things, the Agreement and the transactions contemplated therein in accordance with the Listing Rules.

THE TRANSACTION

Parties to the Agreement

Vendor: LSD

Purchaser: Eternal Force

To the best of the Director's information, knowledge and belief, having made all reasonable enquiries, Eternal Force and its ultimate beneficial owner(s) are independent third parties, not connected with the directors, chief executive or substantial shareholders of LSD or any of its subsidiaries or any of their respective associates.

The Agreement

The Agreement provides for the sale by LSD and purchase by Eternal Force of the Sale Shares and the Sale Advances. The Sale Shares and Sale Advances represent 50% of LSD's interest in the Majestic Hotel and the Majestic Centre, located at No. 348 Nathan Road, Kowloon, Hong Kong.

Conditions to the Agreement and Completion

Completion of the Agreement is subject to the satisfaction (or waiver, as applicable) of the following conditions precedent:

(i) the passing of the ordinary resolution to be proposed at the EGM by the shareholders of LSD who are eligible to vote at the EGM as required by the Listing Rules to approve the Agreement and the transactions contemplated thereunder;

(ii) it is proposed that both parties will assist towards procuring a new loan in the principal amount of not less than HK$500 million, to be drawn down as a condition to Completion and proposed, on Completion, to be advanced directly to the Fortune Sign Group and secured on the Fortune Sign Group's assets. As necessary, LSD will be required to put up a several guarantee in respect of up to half of such new loan;

(iii) all necessary consents being granted by third parties in a form acceptable to LSD and Eternal Force and no statute, regulation or decision which would prohibit, restrict or materially delay the sale and purchase of the Sale Shares and the Sale Advances having been proposed, enacted or taken by any governmental or official authority;

(iv) Eternal Force notifying LSD on or before 6:00 p.m. on 21st May, 2004 that it is satisfied as to the title of the respective members of the Fortune Sign Group to the Owned Properties;

(v) the Warranties (other than those in respect of the operation of the Fortune Sign Group between the date of the Agreement and Completion) remaining true and accurate in all material respects and not misleading in any material respect, in each case, as at Completion as if repeated at Completion and at all times between the date of the Agreement and Completion; and

(vi) LSD having complied in all material respects with its obligations specified in the Agreement and otherwise having performed in all material respects all of the covenants and agreements required to be performed by it under the Agreement.

LSD considers the Warranties to be those normally found in transactions of a similar size, value, nature and type of business and such Warranties had been agreed upon between the parties after arm's length negotiations.

Eternal Force may waive all or any of the Conditions set out in paragraphs (iv) to (vi), inclusive, at any time by notice in writing to LSD.

LSD shall use its best endeavours to procure the fulfilment of the Conditions on or before the Long Stop Date, provided always that the time limit for satisfaction or waiver of the Condition set out in paragraph (iv) shall be 21st May, 2004, and in the absence of written notice by Eternal Force on or before that date that it is not so satisfied as to title, such Condition shall be deemed to have been satisfied in full. Eternal Force is required to use its best endeavours to assist towards the fulfilment of the Condition set out in paragraph (ii) above.

In the event that any of the Conditions shall not have been fulfilled (or, in the case of the Conditions set out in paragraphs (iv) to (vi) waived by Eternal Force) prior to the Long Stop Date (or, in the case of the Condition set out in paragraph (iv), by 21st May, 2004) Eternal Force shall not be bound to proceed with the purchase of the Sale Shares and the Sale Advances and the Deposit (including accrued interest thereon) (as defined below) will be refunded to Eternal Force.

Consideration for the Transaction

The consideration for the sale and purchase of the Sale Shares and the Sale Advances is HK$185,000,000 (subject to adjustment), comprising:

(i) a cash amount of HK$43,500,000 by way of deposit (the "Deposit"), which has been paid by Eternal Force upon exchange of the Agreement, and will be held in escrow, to be released upon Completion (or termination of the Agreement); and

(ii) a cash amount of HK$141,500,000 to be paid upon Completion.

The consideration of HK$185,000,000 was agreed after arm's length negotiations between the parties. The consideration has taken into account an agreed value of the Owned Properties of HK$870,000,000 and a new loan in the principal amount of HK$500,000,000 which is to be procured and drawn down before Completion. For these purposes, LSD has taken into consideration an independent valuation of the Majestic Hotel and the Majestic Centre performed by Chesterton Petty Limited, which valuation in the aggregate amount of HK$895 million is included in Appendix II of this circular.

The consideration for the sale and purchase of the Sale Shares and the Sale Advances shall be adjusted (the "Completion Adjustment") on the basis that if, following a post-Completion audit, it is determined that:

(i) the amount of 50% of the Attributable Net Assets exceeds HK$185,000,000, then Eternal Force will pay to LSD an amount equal to such excess; or

(ii) if the amount of 50% of the Attributable Net Assets is less than HK$185,000,000, then LSD will pay to Eternal Force an amount equal to such deficit.

The Attributable Net Assets will be calculated on the basis of a set of completion accounts as at the date of Completion prepared by LSD, taking into account the agreed value of the Owned Properties of HK$870 million and other assets and liabilities existing as at the date of Completion. With the exception of certain assets and liabilities as mutually agreed between LSD and Eternal Force which would not be taken up by Eternal Force, other remaining assets and liabilities shall be subject to the adjustment of the consideration as set out in the paragraphs above on a dollar for dollar basis. An audit of such completion accounts is to be carried out by the auditors of Fortune Sign and they will prepare a draft statement as to the amount of 50% of the Attributable Net Assets. If there is any adjustment to the consideration for the sale and purchase of the Sale Shares and the Sale Advances after Completion as detailed above and is considered by LSD to be material, it will make a further announcement at the relevant time.

Deposit

Upon the exchange of the Agreement, Eternal Force paid a deposit of HK$43,500,000, which shall be applied to reduce the consideration at Completion. Such deposit is refundable to Eternal Force other than in the circumstances where the Conditions to Completion referred to in the paragraph above have been complied with on or before the Long Stop Date (or such later date as is otherwise agreed between LSD and Eternal Force), but Completion does not occur due to a failure of Eternal Force to comply with its obligations at Completion and LSD elects to rescind the Agreement.

Financial Effects of Disposal

The audited consolidated net profits before and after taxation and extraordinary items of Fortune Sign for the financial year ended 31st March, 2003 were approximately HK$33.6 million and HK$29.2 million, respectively. The unaudited consolidated net profits before and after taxation and extraordinary items of Fortune Sign for the financial year ended 31st March, 2004 were approximately HK$23.9 million and HK$19.7 million, respectively.

The unaudited consolidated net asset value of the Fortune Sign Group as at 31st March, 2004 attributable to LSD's consolidated accounts was approximately HK$793 million. The other net assets which shall be subject to the Completion Adjustment shall mainly represent assets and liabilities arising from the normal operations of the Fortune Sign Group including inventories, trade and other receivables and payables, prepayments, utility and sundry deposits, bank balances, tax payables and other accruals. The net carrying amount of such other net assets was approximately HK$6 million as at 31st March, 2004. Certain other assets and liabilities (as mutually agreed) which shall not be taken up by Eternal Force and which are therefore not subject to the Completion Adjustment include accrued deferred tax liabilities, pension scheme assets, land premium payable in respect of the Owned Properties and motor vehicles. The net carrying amount of such assets and liabilities indicate a net liability of approximately HK$11 million as at 31st March, 2004. The unaudited value of consolidated net assets of the Fortune Sign Group for the assets and liabilities which are the subjects of the transaction as at 31st March, 2004 as attributable to the consolidated accounts of LSD was approximately HK$804 million.

The carrying value of the Owned Properties as included in the unaudited consolidated balance sheet of LSD (as incorporated in the interim report of LSD for the six months ended 31st January, 2004, being the date of the latest published balance sheet of LSD) was approximately HK$798 million. Accordingly, a 50% interest had a value of approximately HK$399 million. LSD has currently in aggregate loan facilities of HK$660 million which are secured against the interest and assets in the Fortune Sign Group. The gross consideration for the sale of 50% interest in the Owned Properties held by the Fortune Sign Group based on the agreed value of the Owned Properties is HK$435 million. In order to fully repay the outstanding loan facilities of HK$660 million to discharge the Owned Properties for the Transaction and following arm's length negotiations between the parties, it was agreed that a new loan in the principal amount of HK$500 million (50% of such new loan amounts to HK$250 million) is to be procured by Fortune Sign such that the borrowers would be the relevant operating companies of the Owned Properties and that the new loan will be drawn down by Fortune Sign as a Condition to Completion. The proceeds from the new loan of HK$500 million will be distributed upwards by the relevant operating companies ultimately to LSD immediately before Completion by way of repayment of shareholders' loans and declaration of cash dividends. Such proceeds together with the consideration for the Transaction of HK$185 million will be utilised by LSD to fully repay the loan facilities mentioned above in the aggregate amount of HK$660 million. With the new loan in place, the funding requirement of Eternal Force to acquire 50% interest in the Fortune Sign Group will be approximately HK$185 million only.

Taking into account the amount of revaluation reserve to be released to the profit and loss account upon Completion of approximately HK$25 million, the gain on disposal of 50% interest in Fortune Sign before expenses expected to accrue to LSD's consolidated accounts is estimated to be approximately HK$61 million. As the release of revaluation reserve of approximately HK$25 million to the profit and loss account upon Completion will have no impact on the value of the consolidated net assets of LSD, the net impact of the transaction on the consolidated net asset value of LSD will be approximately HK$36 million. The disposal transaction will also result in the deconsolidation of the assets and liabilities of the Fortune Sign Group in the accounts of LSD. The Owned Properties of HK$798 million and the other assets and liabilities of the Fortune Sign Group immediately before the Completion will cease to be consolidated in LSD's consolidated accounts after Completion. The remaining 50% interest in the Fortune Sign Group will be equity accounted for as an associate of LSD.

Fortune Sign will cease to be a subsidiary of LSD on Completion and will, thereafter, be accounted for as an associate of LSD. As at the Latest Practicable Date, the remaining 50% of the shares in Fortune Sign which is not the subject matter of the Agreement is retained by LSD.

LSD through its relevant subsidiaries will continue to be the manager of the Majestic Hotel and the Majestic Centre after Completion.

Reasons for entering into, and benefits of, the Transaction

The Directors consider that the Transaction represents a good opportunity for LSD to realise a half interest in the Fortune Sign Group at a time when LSD's most important goal is to reduce its overall indebtedness. The entire proceeds from the Transaction will, accordingly, be used to reduce indebtedness and for the purpose of working capital.

Completion

Subject to satisfaction of the Conditions set out in the paragraph headed "Conditions to the Agreement and Completion" of this circular above, Completion of the Agreement is expected to take place on 31st July, 2004.

Terms of the Agreement

The terms of the Agreement were arrived at after arm's length negotiations between the parties, and the Directors believe that the terms of the Transaction are fair and reasonable and in the interests of the shareholders of LSD as a whole, based on an independent valuation of the Owned Properties from Chesterton Petty Limited and commercial negotiations between the parties to the Agreement.

LISTING RULES IMPLICATION

The Transaction, which represents a de-consolidation of the Fortune Sign Group from LSD, constitutes a major transaction for LSD and is therefore subject to compliance with the relevant requirements of the Listing Rules, including the approval by the shareholders of LSD.

As the Directors believe the interests of all shareholders of LSD to be the same in relation to the Transaction and no shareholder of LSD has a material interest in the Transaction, it is not anticipated that any shareholder of LSD will be required to abstain from voting on the matter.

INFORMATION ON LSD AND ETERNAL FORCE

LSD is a holding company with interests in subsidiaries and associates whose business interests include property development, property investment, hotels, media and entertainment and strategic investment.

Eternal Force is a privately owned single purpose company incorporated in Hong Kong, whose ultimate beneficial owner(s) are independent third parties, not connected with the directors, chief executive or substantial shareholders of LSD or any of its subsidiaries or any of their respective associates.

INFORMATION ON FORTUNE SIGN

Fortune Sign is a private investment holding company incorporated in the British Virgin Islands and indirectly holds the Majestic Centre which is the shopping centre located at No. 348 Nathan Road, Kowloon, Hong Kong and includes retail shops and entertainment and leisure outlets and the Majestic Hotel located at No. 348 Nathan Road, Kowloon, Hong Kong, which together with the Majestic Centre, covers a site area of approximately 1,969 sq. metres and includes 380 guestrooms, function room and business centre. The principal businesses of the Fortune Sign Group are investment holding, hotel ownership and operation, holding property for investment purposes and the provisions of building management services.

EXTRAORDINARY GENERAL MEETING

A notice of the EGM to be held at The Chater Room I, Function Room Level (B1), The Ritz-Carlton Hong Kong, 3 Connaught Road, Central, Hong Kong on Wednesday, 30th June, 2004 at 10:00 a.m. is set out on pages 39 and 40 of this circular. An ordinary resolution will be proposed at the EGM to approve the Agreement and the transactions contemplated therein.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to LSD's Registrars, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM should you so wish.

RECOMMENDATION

For the reasons set out in this letter, the Directors are of the opinion that the Transaction is beneficial to the LSD Group and the shareholders of LSD as a whole and recommend the shareholders of LSD to vote in favour of the ordinary resolution to be proposed at the EGM, details of which are set out in the notice of the EGM set out in pages 39 and 40 of this circular.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the Appendices in 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. SUMMARY OF AUDITED FINANCIAL INFORMATION

The following is a summary of the audited consolidated results, financial position, changes in equity and cash flow statement of the LSD Group for the two years ended 31st July, 2003, as extracted from the audited consolidated financial statements of the LSD Group for the year ended 31st July, 2003.

Results

	2003	**2002**
	HK$'000	*HK$'000*
Turnover	906,590	934,720
Loss before tax	(404,488)	(1,881,190)
Tax	(28,516)	(35,927)
Loss before minority interests	(433,004)	(1,917,117)
Minority interests	(28,036)	(24,391)
Net loss from ordinary activities attributable to shareholders	(461,040)	(1,941,508)

Financial position

	2003	**2002**
	HK$'000	*HK$'000*
Non-current assets	7,684,632	8,919,354
Net current liabilities	(7,654,001)	(6,192,801)
Total assets less current liabilities	30,631	2,726,553
Non-current liabilities	(45,359)	(1,608,861)
	(14,728)	1,117,692
Capital and reserves		
Issued capital	1,873,001	1,873,001
Reserves	(2,247,157)	(1,106,583)
	(374,156)	766,418
Minority interests	359,428	351,274
	(14,728)	1,117,692

Consolidated Statement of Changes in Equity

Year ended 31st July, 2003

	Issued capital	Share premium account	Investment property revaluation reserve	Revaluation reserve for properties under development held for investment potential	Capital redemption reserve	Capital reserve	Exchange fluctuation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st August, 2001	1,873,001	5,858,164	2,618,836	387,749	1,200,000	75,420	63,776	(8,210,631)	3,866,315
Deficit on revaluation of investment properties	—	—	(658,638)	—	—	—	—	—	(658,638)
Share of revaluation surplus/ (deficit) of associates	—	—	381	(36,449)	—	—	—	—	(36,068)
Share of reserve of associates	—	—	—	—	—	(3,757)	—	—	(3,757)
Exchange realignments:									
Subsidiaries	—	—	—	—	—	—	147	—	147
Associates	—	—	—	—	—	—	(212)	—	(212)
Net losses not recognised in the profit and loss account	—	—	(658,257)	(36,449)	—	(3,757)	(65)	—	(698,528)
Release upon disposal of subsidiaries	—	—	113,921	—	—	—	—	—	113,921
Release upon disposal of associates	—	—	(147,390)	(351,300)	—	(71,663)	(3,429)	—	(573,782)
Net loss for the year	—	—	—	—	—	—	—	(1,941,508)	(1,941,508)
At 31st July, 2002 and 1st August, 2002:									
As previously reported	1,873,001	5,858,164	1,927,110	—	1,200,000	—	60,282	(10,152,139)	766,418
Prior year adjustment	—	—	—	—	—	—	—	13,932	13,932
As restated — page 16	1,873,001	5,858,164	1,927,110	—	1,200,000	—	60,282	(10,138,207)	780,350

	Issued capital	Share premium account	Investment property revaluation reserve	Revaluation reserve for properties under development held for investment potential	Capital redemption reserve	Capital reserve	Exchange fluctuation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As restated — page 15	1,873,001	5,858,164	1,927,110	—	1,200,000	—	60,282	(10,138,207)	780,350
Deficit on revaluation of investment properties	—	—	(680,752)	—	—	—	—	—	(680,752)
Exchange realignments:									
Subsidiaries	—	—	—	—	—	—	57	—	57
Associates	—	—	—	—	—	—	(972)	—	(972)
Net losses not recognised in the profit and loss account	—	—	(680,752)	—	—	—	(915)	—	(681,667)
Release upon disposal of subsidiaries	—	—	—	—	—	—	(2,305)	—	(2,305)
Release upon deemed disposal of an associate	—	—	—	—	—	—	(9,494)	—	(9,494)
Net loss for the year	—	—	—	—	—	—	—	(461,040)	(461,040)
At 31st July, 2003	1,873,001	5,858,164	1,246,358	—	1,200,000	—	47,568	(10,599,247)	(374,156)

Consolidated cash flow statements

	2003	2002
	HK$'000	*HK$'000*
Net cash outflow from operating activities	(34,616)	(115,793)
Net cash inflow/(outflow) from investing activities	(298,377)	372,849
Net cash inflow/(outflow) from financing activities	205,477	(496,864)
Net decrease in cash and cash equivalents	(127,516)	(239,808)
Cash and cash equivalents at beginning of year	238,384	477,805
Effect of foreign exchange rate changes, net	59	387
Cash and cash equivalents at end of year	110,927	238,384

2. SUMMARY OF UNAUDITED FINANCIAL INFORMATION

The following is a summary of the unaudited consolidated results, financial position, changes in equity and cash flow statement of the LSD Group for the six months period ended 31st January, 2004, as extracted from the interim report of LSD Group issued on 16th April, 2004.

Results

	Six months ended	
	31/1/2004	**31/1/2003**
	(Unaudited)	**(Unaudited)**
		(As restated)
	HK$'000	*HK$'000*
Turnover	1,709,416	548,793
Loss before tax	(148,673)	(73,631)
Tax	(7,060)	(25,366)
Loss before minority interests	(155,733)	(98,997)
Minority interests	(11,387)	(16,527)
Net loss from ordinary activities attributable to shareholders	(167,120)	(115,524)

Financial position

	As at 31/1/2004 (Unaudited) *HK$'000*	As at 31/7/2003 (Audited) (As restated) *HK$'000*
Non-current assets	6,368,865	7,684,632
Net current liabilities	(6,411,760)	(7,654,001)
Total assets less current liabilities	(42,895)	30,631
Non-current liabilities	(77,423)	(93,471)
	(120,318)	(62,840)
Capital and reserves		
Issued capital	1,873,001	1,873,001
Reserves	(2,352,826)	(2,291,318)
	(479,825)	(418,317)
Minority interests	359,507	355,477
	(120,318)	(62,840)

Condensed consolidated statement of changes in equity

	For the six months ended 31st January, 2004 (Unaudited)						
	Issued capital	Share premium account	Investment property revaluation reserve	Capital redemption reserve	Exchange fluctuation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st July, 2003 and 1st August, 2003 (Audited)							
As previously reported	1,873,001	5,858,164	1,246,358	1,200,000	47,568	(10,599,247)	(374,156)
Prior year adjustment	—	—	—	—	—	(44,161)	(44,161)
As restated	1,873,001	5,858,164	1,246,358	1,200,000	47,568	(10,643,408)	(418,317)
Addition costs to investment properties charged against the investment property revaluation reserve	—	—	(6,635)	—	—	—	(6,635)
Release upon disposal of investment properties	—	—	261,312	—	—	—	261,312
Release of negative goodwill upon disposal of investment properties	—	—	—	—	—	(149,983)	(149,983)
Exchange realignments:							
Subsidiaries	—	—	—	—	897	—	897
Associates	—	—	—	—	21	—	21
Net loss for the period	—	—	—	—	—	(167,120)	(167,120)
At 31st January, 2004 (Unaudited)	1,873,001	5,858,164	1,501,035	1,200,000	48,486	(10,960,511)	(479,825)

For the six months ended 31st January, 2003 (Unaudited and as restated)

	Issued capital	Share premium account	Investment property revaluation reserve	Capital redemption reserve	Exchange fluctuation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st July, 2002 and 1st August, 2002 (Audited)							
As previously reported	1,873,001	5,858,164	1,927,110	1,200,000	60,282	(10,152,139)	766,418
Prior year adjustment	—	—	—	—	—	(28,635)	(28,635)
As restated	1,873,001	5,858,164	1,927,110	1,200,000	60,282	(10,180,774)	737,783
Release upon disposal of subsidiaries	—	—	—	—	(2,114)	—	(2,114)
Addition costs to investment properties charged against the investment property revaluation reserve	—	—	(109)	—	—	—	(109)
Exchange realignments:							
Subsidiaries	—	—	—	—	118	—	118
Associates	—	—	—	—	(902)	—	(902)
Net loss for the period	—	—	—	—	—	(115,524)	(115,524)
At 31st January, 2003 (Unaudited)	1,873,001	5,858,164	1,927,001	1,200,000	57,384	(10,296,298)	619,252

Condensed Consolidated Cash Flow Statement

	Six months ended 31/1/2004 (Unaudited) *HK$'000*	31/1/2003 (Unaudited) *HK$'000*
Net cash used in operating activities	(7,695)	(98,560)
Net cash from/(used in) investing activities	1,302,570	(499,557)
Net cash from/(used in) financing activities	(982,947)	490,558
Net increase/(decrease) in cash and cash equivalents	311,928	(107,559)
Cash and cash equivalents at beginning of period	110,927	238,384
Effect of foreign exchange rate changes, net	(34)	144
Cash and cash equivalents at end of period	422,821	130,969

3. INDEBTEDNESS

As at 30th April, 2004, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the LSD Group had outstanding borrowings of approximately HK$6,640 million comprising (i) secured bank loans and other borrowings of approximately HK$2,968 million (of which a sum of HK$1,189 million was guaranteed by the Company), (ii) an accrued loan repayment premium of approximately HK$31 million under a loan facility guaranteed by the Company, (iii) an outstanding amount of approximately HK$881 million payable under the Exchangeable Bonds guaranteed by the Company (principal of HK$622 million and accrued bond redemption premium of HK$259 million) and (iv) an outstanding amount of approximately HK$1,260 million payable under the Convertible Bonds guaranteed by the Company (principal of HK$907 million and accrued bond redemption premium of HK$353 million) and (v) an amount due to the eSun Group of approximately HK$1,500 million. The outstanding amount payable under the Exchangeable Bonds, the Convertible Bonds and the amount due to the eSun Group are secured against a security package, further details of which are set out below.

As at 30th April, 2004, certain investment properties with carrying amounts of approximately HK$3,184 million, certain fixed assets with carrying amounts of approximately HK$1,440 million and certain bank balances and time deposits with banks of approximately HK$85 million were pledged to banks to secure banking facilities granted to the LSD Group. At the same date, certain investment properties with carrying value of approximately HK$3 million, certain fixed assets with carrying value of approximately HK$25 million and a time deposit with a bank of approximately HK$10 million were pledged to the bank to back up certain corporate guarantees issued by LSD in respect of certain banking facilities granted by the bank to a subsidiary and an associate of the LSD Group. In addition, 285,512,791 ordinary shares of eSun, the entire holding of the shares of Peakflow Profits Limited together with its 10% shareholding in and its advance to Bayshore Development Group Limited, the joint venture company for the AIG Tower project, and certain shares in other subsidiaries held by the LSD Group were also pledged to banks and other lenders to secure loan facilities granted to the LSD Group. In addition, pursuant to the terms and conditions of the Exchangeable Bonds and the Convertible Bonds, the Exchangeable Bondholders share on a pari passu and pro rata basis with the Convertible Bondholders the security charge over a second charge over 285,512,791 shares of eSun beneficially owned by the Company. The Exchangeable Bondholders also share on a pari passu and pro rata basis with the Convertible Bondholders and eSun the security of a limited recourse second charge over 6,500 shares of Diamond String Limited (which owns The Ritz-Carlton, Hong Kong) beneficially owned by the Company. The secured bank and other borrowings were also secured by floating charges over certain assets held by the LSD Group.

As at 30th April, 2004, the LSD Group had contingent liabilities of approximately HK$203 million in respect of guarantees given by the LSD Group to banks in connection with the banking facilities granted to certain associates. In addition, pursuant to certain indemnity deeds dated 12th November, 1997 entered into between the Company and Lai Fung Holdings Limited ("Lai Fung"), the Company has undertaken to indemnify Lai Fung in respect of certain potential People's Republic of China ("PRC") income tax and land appreciation tax ("LAT") payable or shared by Lai Fung as a result of the disposal of any of the property interests attributable to Lai Fung through its subsidiaries and its associates as at 31st October, 1997 (the "Property Interests"). These tax indemnities given by the Company apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited, independent chartered surveyors, as at 31st October, 1997 (the "Valuation"); and (ii) the aggregate costs of such Property Interests incurred up to 31st October, 1997, together with the amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests. The indemnity deeds assume that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing PRC income tax and LAT prevailing at the time of the Valuation. The indemnities given by the Company do not cover (i) new properties acquired by Lai Fung subsequent to the listing of the shares of Lai Fung on The Stock Exchange of Hong Kong Limited (the "Listing"); (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of Lai Fung as set out in Lai Fung's prospectus dated 18th November, 1997.

Save as disclosed above, the Directors are not aware of any material change in the indebtedness and contingent liability position of the LSD Group since 30th April, 2004.

4. FINANCIAL AND TRADING PROSPECTS

As explained above, although the LSD Group has not finalised the form and structure of a comprehensive debt restructuring program, it is confident that an agreement would be reached among all parties to a consensual debt restructuring plan within the year. The future financial and trading prospects of the LSD Group would greatly depend on the successful implementation of such debt restructuring program and the continued support of the LSD Group's creditors.

The Directors are not aware of any material adverse change in the financial or trading position of the LSD Group since 31st January, 2004, being the date up to which the latest published unaudited consolidated accounts of the Company were made.

5. WORKING CAPITAL

In view of the indebtedness position as stated in section headed "Indebtedness" in paragraph 3 above, the LSD Group is currently having ongoing discussions with all of its creditors with the objective of placing the LSD Group in a better financial position. As at the date of this circular, the LSD Group has yet to reach an agreement with the Exchangeable Bondholders, the Convertible Bondholders, eSun and its other financial creditors as to the terms of a comprehensive restructuring of the LSD Group's indebtedness (the "Debt Restructuring Plan"). The LSD Group is currently operating under a period of informal standstill and up to now, neither the Exchangeable Bondholders, the Convertible Bondholders, eSun nor its other financial creditors have taken any action to enforce their respective securities. The relevant persons or institutions providing financing have confirmed that such financing facilities exist as at 30th April, 2004, being the latest practicable date prior to the printing of this circular for the purpose of the indebtedness statement included above. However, such persons or institutions are not in a position to confirm that such financing facilities will remain in place for the 12 months following the date of this circular. The LSD Group is, with the assistance of its financial and legal advisers, conducting ongoing negotiations with all of its financial creditors with a view to securing the terms of a Debt Restructuring Plan acceptable to all relevant parties. Negotiation with various financial creditors has reached a fairly advanced stage and the Directors are hopeful that the LSD Group will be able to secure the agreement of all its financial creditors to a consensual debt restructuring plan within the year 2004.

Throughout the period from 1st August, 2003 to the date this circular, the LSD Group continued to implement an orderly disposal of its assets, to generate positive cash flows for the partial repayment of bank and other borrowings and to help provide sufficient working capital for the LSD Group's operations and for the future partial repayment of Exchangeable Bonds and Convertible Bonds.

On the assumption that the LSD Group will be able to secure the agreement of all its financial creditors to the Debt Restructuring Plan and, at the same time, will be able to continue the orderly disposal of the assets of the LSD Group and to obtain financing or refinancing arrangements to generate additional positive cash flows, the Directors believe that the LSD Group will have sufficient working capital for its requirements for the 12 months following the date of this circular. Otherwise, the Directors are of the opinion that the LSD Group would not have adequate funds to enable it to operate as a going concern in the foreseeable future.

The following is the text of a letter, summary of values and valuation certificate received from Chesterton Petty Limited, an independent valuer, in connection with their valuation as at 4th May, 2004 of the Owned Properties for the purpose of inclusion in this circular:

Chesterton
PETTY
卓德

International Property Consultants
Chesterton Petty Ltd
16/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

12th May, 2004

The Directors
Lai Sun Development Company Limited
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

Dear Sirs,

(1) THE HOTEL PORTION AND PORTIONS OF THE BUILDING OF 348 NATHAN ROAD (KNOWN AS MAJESTIC HOTEL), YAU MA TEI, KOWLOON

(2) THE COMMERCIAL PORTION OF 348 NATHAN ROAD (KNOWN AS MAJESTIC CENTRE), YAU MA TEI, KOWLOON

In accordance with your recent instructions to value the above properties, we confirm that we have carried out inspections, made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market value of this property as at 4th May, 2004.

Our valuation is our opinion of the open market value which we would define as intended to mean "the best price at which the sale of an interest in a property would have been completed unconditionally for cash consideration on the date of valuation assuming:

(a) a willing seller;

(b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;

(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

(d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and

(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion".

Our valuation has been made on the assumption that the owners sell the properties on the open market without the benefit of a deferred term contract, leaseback, joint venture or any similar arrangement which would serve to increase the value of the properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no forced sale situation in any manner is assumed in our valuation.

We have valued Property No. 1 (Majestic Hotel) as an ongoing hotel operation by taking into account its trading potential and by reference to sales evidence of hotels as available on the market. A significant portion of our valuation is attributable to the business goodwill of the property. In undertaking our valuation, we have relied on the trading accounts supplied to us including room sales, food and beverage revenue, other revenue, outgoings, operating costs, operating profits and all other relevant information.

In respect of Property No. 2 (Majestic Centre), we have valued the property by reference to sales evidence as available on the market and where appropriate on the basis of capitalization of the net income shown on the schedules handed to us. We have allowed for outgoings and in appropriate cases made provisions for reversionary income potential.

We have not been provided with extracts of title documents relating to the properties but we have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendments which do not appear on the copies handed to us.

We have relied to a very considerable extent on information given by you and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, trading accounts, lettings, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents and tenancy schedules provided to us and are therefore only approximations.

We have inspected the exterior of the properties valued and, where possible, we have also inspected the interior of the premises. In the course of our inspection, we did not note any serious defect. However, no structural survey has been made and we are therefore unable to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services.

No allowance has been made in our report for any charge, mortgage or amount owing on the properties nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We enclose herewith our summary of values and valuation certificate for your attention.

Yours faithfully
For and on behalf of
Chesterton Petty Ltd
Charles C K Chan
MSc FRICS FHKIS MCIArb RPS(GP)
Executive Director

Enc

SUMMARY OF VALUES

Property		Open market value in existing state as at 4th May, 2004
1.	The Hotel Portion and Portions of the Building of 348 Nathan Road (known as Majestic Hotel), Yau Ma Tei, Kowloon	HK$643,000,000
2.	The Commercial Portion of 348 Nathan Road (known as Majestic Centre), Yau Ma Tei, Kowloon	HK$252,000,000
	Total:	**HK$895,000,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 4th May, 2004
1.	The Hotel Portion and Portions of the Building of 348 Nathan Road (known as Majestic Hotel), Yau Ma Tei, Kowloon 21,837/29,810th equal and undivided shares of and in Kowloon Inland Lot No. 6733	"348 Nathan Road" comprises a 20-storey (including 3 basement levels) commercial/hotel development erected on a site with a registered site area of approximately 1,968.97 sq m (21,194 sq ft). The development was completed in 1992. The property comprises the hotel portion of the development and occupies Basement 3 for back-of-house facilities and portion of Ground Floor as hotel entrance and bell service. The majority portion of 1st Floor is planned for hotel lobby, front office, a coffee shop, a lounge bar, a business centre and retail shops and the 4th to 14th Floors accommodate 350 guest rooms (including 6 suites) with 15th Floor accommodating 30 furnished service apartments (including 3 suites). A gymnasium is provided on 4th Floor within the hotel portion. The total gross floor area of the property is approximately 21,837 sq m (235,053 sq ft). Kowloon Inland Lot No. 6733 is held from the Government under Conditions of Renewal No. 5465 for a term of 150 years commencing from 25th December, 1888 at an annual Government rent of HK$1,946.	The property is operated by the registered owner.	HK$643,000,000

Notes:

1. The registered owner of the property is Majestic Hotel Enterprises Limited.

2. The property is subject to a Debenture in favour of CITIC Ka Wah Bank Limited and a Second Legal Charge in favour of Wealth Carry Credit Limited.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 4th May, 2004
2.	The Commercial Portion of 348 Nathan Road (known as Majestic Centre), Yau Ma Tei, Kowloon 7,973/29,810th equal and undivided shares of and in Kowloon Inland Lot No. 6733	"348 Nathan Road" is a 20-storey (including 3 basement levels) commercial/hotel development erected on a site with a registered site area of approximately 1,968.97 sq m (21,194 sq ft). The development was completed in 1992. The property comprises the whole of the commercial portion of the development on Basements 1 and 2, a portion of Ground Floor, Upper Ground Floor, a portion of 1st Floor, 2nd and 3rd Floors with a total gross floor area of approximately 7,973 sq m (85,821 sq ft). Kowloon Inland Lot No. 6733 is held from the Government under Conditions of Renewal No. 5465 for a term of 150 years commencing from 25th December, 1888 at an annual Government rent of HK$1,946.	Except for the whole of Basement 2 with a lettable area of approximately 1,824.88 sq m (19,643 sq ft) which is vacant, the remainder of the property is let under various tenancies mostly for terms of two years with the latest expiring in August 2006 at a total monthly rental income of about HK$1,280,000 exclusive of rates and management fees. One antenna on upper roof, a water chiller, 5 base stations and 2 signboards and 7 light boxes are let under various tenancies mostly for terms of two years or on monthly basis together at a total monthly rental income of about HK$67,500 exclusive of rates and management fees.	HK$252,000,000

Notes:

1. The registered owner of the property is Majestic Centre Limited.

2. The property is subject to a Debenture in favour of CITIC Ka Wah Bank Limited and a Second Legal Charge in favour of Wealth Carry Credit Limited.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to LSD. 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 LSD 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 LSD or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to LSD 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 LSD to be notified to LSD and the Stock Exchange:

(a) LSD

	Long positions in the Shares					
Name of Director	**Personal Interests**	**Family Interests**	**Corporate Interests**	**Capacity**	**Total**	**Percentage**
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. 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

	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 LSD as LSD 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 LSD. 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 LSD 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 LSD or any associated corporation which were required to be notified to LSD 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 LSD, had an interest in the following long positions in the Shares and underlying Shares of equity derivatives of LSD which would fall to be disclosed to LSD 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 LSD Group:

(a) 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)*

(b) Long positions in underlying Shares of equity derivatives

Name	Capacity	Nature *(Note A)*	Number of Shares (as enlarged)	Percentage
Chen Din Hwa	Beneficial owner	Corporate	861,784,435	22.52% *(Note 7)*
Chen Yang Foo Oi	Beneficial owner	Family	861,784,435	22.52% *(Note 8)*

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.

7. Please refer to Note 4 above.

   Mr. Chen Din Hwa was taken to be interested in 781,346,935 Shares by virtue of his corporate interests in Nice Cheer. The remaining balance represents 80,437,500 Shares to be issued by LSD to Absolute Gain Trading Ltd. upon its exercise of rights attaching to the convertible bonds issued by Lai Sun International Finance (1997) Limited and guaranteed by LSD. Mr. Chen Din Hwa was taken to be interested in such Shares by virtue of his corporate interests in Absolute Gain Trading Ltd. Mr. Chen Din Hwa's aggregate interest in 861,784,435 Shares represents 22.52% of the issued share capital of LSD as enlarged by the potential issue by LSD of 80,437,500 Shares in the event of Absolute Gain Trading Ltd. exercising its rights attaching to the said convertible bonds.

8. Madam Chen Yang Foo Oi was deemed to be interested in 861,784,435 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 LSD 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 LSD 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 LSD or any subsidiary of LSD which does not expire or is not determinable by the employing company within one year without payment of compensation other than statutory compensation.

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

None of the Directors is materially interested in any contract or arrangement entered into by any member of the LSD Group subsisting at the date of this circular which is significant in relation to the business of the LSD Group.

None of the Directors has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the LSD Group or are proposed to be acquired or disposed of by or leased to any member of the LSD Group since 31st January, 2004, being the date up to which the latest published interim accounts of the LSD Group were made.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by LSD or its subsidiaries within two years preceding the date of this circular and which are or may be material:

(a) the Agreement;

(b) the agreement dated 8th November, 2002 between Fordspace Development Limited, Infoway Limited, LSD (collectively the "ATV Vendors") and Dragon Goodwill International Limited ("DGI") relating to the sale and purchase of shares in Asia Television Limited and Houseman International Limited and where appropriate, as amended by an supplemental agreement dated 14th May, 2003 between the ATV Vendors and DGI;

(c) the agreement dated 8th November, 2002 between eSun and LSD relating to the sale and purchase of shares in Houseman International Limited and where appropriate, as amended by an supplemental agreement dated 14th May, 2003 between eSun and LSD;

(d) tender document for the property known as Causeway Bay Plaza 1 which had been accepted by Lucky Strike Investment Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of LSD;

(e) an agreement for sale and purchase of 43.5% interest in Omicron International Limited and shareholder loan of approximately HK$132 million, representing principal and interest owing by Omicron International Limited to LSD between LSD (as vendor), Far East Consortium Limited, E-Cash Ventures Limited, Zeal Goal International Limited and Hosar Investment Limited (collectively as purchasers), Cheung Kong (Holdings) Limited, Far East Consortium International Limited, Sun Hung Kai & Co. Limited, Stalybridge Investment Limited and Omicron International Limited; and a letter between the above parties, both executed on 8th August, 2003;

(f) tender document for Lai Sun Yuen Long Centre which had been accepted by LSD;

(g) a sale and purchase agreement dated 21st March, 2003 entered into between Peakflow Profits Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of LSD (as vendor) and Grand Design Development Limited, a company incorporated in the British Virgin Islands (as purchaser) relating to the transfer and assignment of 20% interest in Bayshore Development Group Limited, a company incorporated in the British Virgin Islands now owned as to 90% by Grand Design Development Limited (but as to 70% before the completion of such sale and purchase agreement) and 10% by Peakflow Profits Limited (but as to 30% before the completion of such sale and purchase agreement) together with HK$600 million worth of shareholders' loan owing by Bayshore Development Group Limited to Peakflow Profits Limited plus accrued interest;

(h) the loan facility agreement dated 10th February, 2003 entered into between LSD and Onshine Finance Limited;

(i) a fourth supplemental trust deed constituting the US$150 million convertible bonds dated 21st January, 2003 entered into between Lai Sun International Finance (1997) Limited, LSD and The Law Debenture Trust Corporation p.l.c. to give effect to the extraordinary resolutions passed by the Convertible Bondholders at a meeting held on 17th December, 2002;

(j) a second supplemental trust deed constituting the US$115 million exchangeable bonds dated 21st January, 2003 entered into between Lai Sun International Finance (Cayman Islands) Limited, LSD and DB Trustees (Hong Kong) Limited to give effect to the extraordinary resolutions passed by the Exchangeable Bondholders at a meeting held on 17th December, 2002; and

(k) an agreement dated 6th November, 2002 between Furama Hotel Enterprises Limited and Transformation International Limited (collectively as vendors) and Indochina Infratech (S) Pte Limited (as purchaser) relating to the sale and purchase of shares in Furama International Hoteliers Limited.

7. LITIGATION

Neither LSD 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 LSD or any of its subsidiaries.

8. QUALIFICATION OF EXPERT, CONSENT AND EXPERT' S INTERESTS

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
Chesterton Petty Limited ("Chesterton")	Professional surveyors and valuer

Chesterton has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

Chesterton confirmed that as at the Latest Practicable Date it does not have any shareholding in LSD or any of its subsidiaries or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the LSD Group.

Chesterton further confirmed that as at the Latest Practicable Date it does not have any interest, direct or indirect, in any assets which have been, since 31st January, 2004 (being the date to which the latest published interim accounts of the LSD Group were made up), acquired or disposed of by or leased to any member of the LSD Group, or are proposed to be acquired or disposed of by or leased to any member of the LSD Group.

9. GENERAL

(a) The secretary of LSD 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 LSD is Mr. Tse Kim Lun, who is a Fellow of the Association of Chartered Certified Accountants and a Fellow of the Hong Kong Society of Accountants.

(c) The registered office of LSD is situated at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

(d) The Registrars and transfer office of LSD are Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

(e) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Room 903, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong during normal business hours on any business day from the date of this circular until the day of the EGM:

(a) this circular;

(b) the memorandum and articles of association of LSD;

(c) the audited consolidated accounts of the LSD Group for each of the two financial years ended 31st July, 2003 and the published interim accounts of the LSD Group for the six months ended 31st January, 2004;

(d) the letter, summary of values and valuation certificate prepared by Chesterton Petty Limited, the texts of which are set out in Appendix II of this circular;

(e) the written consent from Chesterton Petty Limited referred to in the paragraph 8 in this Appendix III;

(f) the material contracts referred to in paragraph 6 above including the Agreement; and

(g) the circulars issued pursuant to the requirements set out in Chapter 14 of the Listing Rules since 31st July, 2003, the date of the latest published audited accounts.

LAI SUN DEVELOPMENT

Lai Sun Development Company Limited

(Incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Lai Sun Development Company Limited will be held at The Chater Room I, Function Room Level (B1), The Ritz-Carlton Hong Kong, 3 Connaught Road, Central, Hong Kong on Wednesday, 30th June, 2004 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an Ordinary Resolution:

"**THAT** the sale and purchase agreement dated 5th May, 2004 (the "Agreement") entered into between Eternal Force Limited and Lai Sun Development Company Limited ("LSD"), a copy of which has been produced to this extraordinary general meeting marked "A" and signed by the chairman of this extraordinary general meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and the directors of LSD be and are hereby authorised to execute (under hand or under seal), perfect and deliver all such documents and do all such acts and things as may be necessary or desirable to implement or give effect to the terms of the Agreement and the transactions contemplated thereunder (including, without limitation, exercising or enforcing any right thereunder) and to make and agree such variations, amendments or modifications (if any) to the terms of the Agreement and the transactions contemplated therein as they may consider to be desirable, necessary or appropriate and in the interests of LSD."

By Order of the Board
Yeung Kam Hoi
Company Secretary

Hong Kong, 14th June, 2004

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

Notes:

1. Any member entitled to attend and vote at the extraordinary general meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of LSD.

2. Where there are joint registered holders of any ordinary share, any one of such persons may vote at the extraordinary general meeting, either personally or by proxy, in respect of such ordinary share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such ordinary share shall alone be entitled to vote in respect thereof.

3. A form of proxy for use at the extraordinary general meeting is enclosed.

4. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at LSD's Registrars, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the extraordinary general meeting or adjourned extraordinary general meeting (as the case may be). Completion and return of the form of proxy will not preclude members from attending and voting in person at the extraordinary general meeting or at any adjourned extraordinary general meeting should they so wish.

5. At the extraordinary general meeting the resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

   (i) by the chairman of the extraordinary general meeting; or

   (ii) by at least three shareholders present in person or by proxy for the time being entitled to vote at the extraordinary general meeting; or

   (iii) by any shareholder or shareholders present in person or by proxy and representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote at the extraordinary general meeting; or

   (iv) by a shareholder or shareholders present in person or by proxy and holding shares in LSD conferring a right to vote at the extraordinary general meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares of LSD conferring that right.