THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your licensed securities dealer, 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, licensed securities dealer 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: 488)

MAJOR TRANSACTION AND DISCLOSURE PURSUANT TO RULE 13.16 OF THE LISTING RULES GUARANTEE COMMITMENT AND FINANCIAL ASSISTANCE IN RESPECT OF THE REDEVELOPMENT OF A PROPERTY

A letter from the Board (as defined herein) is set out on pages 3 to 7 of this circular. A notice convening the EGM (as defined herein) to be held at Salon 1-3, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 2 November 2009 at 10:00 a.m. is set out on pages 18 to 19 of this circular. If you are not able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of Lai Sun Development Company Limited, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

13 October 2009

CONTENTS

Page

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

"Associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"CCBIFL"	CCB International Finance Limited, a company incorporated in Hong Kong and a subsidiary of China Construction Bank Corporation;
"CCBIGHL"	CCB International Group Holdings Limited, a company incorporated in Hong Kong and a subsidiary of China Construction Bank Corporation;
"Corporate Guarantee"	the unconditional and irrevocable guarantee to be provided by LSD in favour of the Lender(s), on a several basis, to guarantee the performance of Diamond String's obligations under the Loan Facility, and to undertake to be responsible for cost overruns in relation to completion of the Project (in each case, in proportion to LSD's shareholding interest in Diamond String);
"Diamond String"	Diamond String Limited, a company incorporated in Hong Kong, owned as to 50% indirectly by LSD and, as to the balance, indirectly by CCBIGHL;
"Directors"	the directors of LSD;
"EGM"	an extraordinary general meeting of LSD to be convened for the purposes of approving the Corporate Guarantee and Supplementary Financial Assistance, amongst other things;
"eSun"	eSun Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the Stock Exchange;
"HK$"	Hong Kong dollar(s);
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Latest Practicable Date"	6 October 2009, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information contained herein;
"Lender(s)"	China Construction Bank Corporation, Hong Kong Branch and, if applicable, other international financial institutions by its invitation;

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Loan Facility"	the proposed secured syndicated term loan facility to be granted by the Lender(s) to Diamond String of up to HK$1,530 million;
"LSD" or "the Company"	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;
"PRC"	People's Republic of China which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"Project"	the redevelopment of the Property;
"Property"	the land and property at No.3 Connaught Road Central, Hong Kong (Inland Lot No.8736) which has a site area of about 14,962 square feet to be redeveloped for commercial uses with a total gross floor area of approximately 224,000 square feet;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time);
"Shareholders"	the holders of Shares;
"Shares"	ordinary shares of HK$0.01 each in the share capital of LSD;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Supplementary Financial Assistance"	any financial assistance, up to a total amount of HK$70 million, that might be provided by the LSD Group to Diamond String for the purposes of the Project over and above the Corporate Guarantee, on terms described in this circular; and
"%"	per cent.

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)*
Mr. Lau Shu Yan, Julius *(Chief Executive Officer)*
Mr. Tam Kin Man, Kraven
Mr. Cheung Wing Sum, Ambrose
Miss Leung Churk Yin, Jeanny

Non-executive Directors:
Mr. Lam Kin Ming
Madam U Po Chu

Independent non-executive Directors:
Mr. Lam Bing Kwan
Mr. Leung Shu Yin, William
Mr. Wan Yee Hwa, Edward

Registered office:
11/F Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

13 October 2009

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION AND DISCLOSURE PURSUANT TO RULE 13.16 OF THE LISTING RULES GUARANTEE COMMITMENT AND FINANCIAL ASSISTANCE IN RESPECT OF THE REDEVELOPMENT OF A PROPERTY

INTRODUCTION

Reference is made to the announcement of LSD dated 22 September 2009 in which it was disclosed that LSD and CCBIGHL, as the shareholders, through their respective subsidiaries, of Diamond String, were required to provide certain corporate guarantees in relation to the underwriting of a syndicated term loan facility up to HK$1,530 million sought by Diamond String for the purposes of financing the re-development of the Property, and also to make good any cost over-runs on the Project.

The purpose of this circular is to provide you with details of the Corporate Guarantee and of the additional financial assistance to be provided in respect of the Project and certain other information in accordance with the requirements of the Listing Rules.

BACKGROUND

The Company through its wholly-owned subsidiary owns 50% of Diamond String which, in turn, owns the land and property at 3 Connaught Road Central, formerly operating as 'The Ritz-Carlton Hong Kong', and which is in the process of being re-developed into a grade-A office tower. The other 50% of Diamond String is owned by CCB Properties (Hong Kong) Holdings Limited, a wholly-owned subsidiary of China Construction Bank Corporation.

FINANCING ARRANGEMENTS

On 21 September 2009, Diamond String awarded an exclusive mandate to CCBIFL, also a wholly-owned subsidiary of China Construction Bank Corporation for the arrangement and underwriting of a syndicated term loan facility up to HK$1,530 million sought by Diamond String for the purposes of financing the re-development of the Property. The Lender(s) in respect of the facility will be China Construction Bank Corporation, Hong Kong Branch and, if applicable, other international financial institutions by its invitation.

The mandate, which was the subject of arm's length negotiations between CCBIFL, as mandated coordinating arranger, and both LSD and CCBIGHL, as the shareholders through their respective subsidiaries, of Diamond String and proposed guarantors, includes terms and conditions for the Loan Facility which the Directors are satisfied are both normal and commercial, including as to tenor, interest rate and security requirements. The Loan Facility remains subject to concluding documentation satisfactory to the parties, which the Directors anticipate will be achieved by or about the end of November 2009. The Loan Facility would be repayable on the earlier of 37 months from the date of the facility agreement and six months after the Project completion. The security package includes, inter alia, a first legal charge over the Property, a first fixed and floating charge (by way of debenture) over all assets of Diamond String, share mortgage over the shares of Diamond String and the subordination of all shareholders' loans advanced to Diamond String.

In relation to the Loan Facility, LSD and CCBIGHL, as equal shareholders, through their respective subsidiaries, of Diamond String, are required to provide guarantees, on a several (and not a joint nor a joint and several) basis, for all monies payable under the Loan Facility and undertakings, also on a several basis, to make good any cost over-runs on the Project, during the tenor of the loan. The several liability will be in proportion to LSD and CCBIGHL's respective shareholding interests in Diamond String. LSD would, accordingly, be guaranteeing a principal amount of HK$765 million and would be responsible for a half-share of any cost over-runs, although none are currently anticipated given that the budgeted development costs are, with some margin for contingency, capable of being financed from the Loan Facility and the working capital within Diamond String (such working capital being the legacy of its ownership of The Ritz-Carlton Hong Kong). Nevertheless, LSD will, at the EGM, seek the approval of its Shareholders to authorise the LSD Group to provide the Supplementary Financial Assistance to Diamond String of up to HK$70 million to cater for any agreed upscaling of the Project in the future. The Supplementary Financial Assistance might be given in the form of capital injection or shareholder's loans or by way of guarantee(s) in respect of additional borrowings secured by Diamond String, whether from the Lender(s) or another third party, but on the basis that it can only be given by LSD severally, in proportion to its shareholding interests in Diamond String and on normal commercial terms.

REASONS FOR AND BENEFITS OF THE ASSISTANCE PROPOSED TO BE GIVEN

LSD providing the Corporate Guarantee is a condition precedent to Diamond String's ability to draw upon the Loan Facility. Without the Loan Facility, Diamond String will not be able to continue the Project, as Diamond String does not have sufficient working capital to fund the Project from internal resources. The Project is an important part of LSD's continued development and will represent a core revenue generating asset. LSD has, through its redevelopment of the former Furama Hotel into AIA Central, 1 Connaught Road Central (a project that was also conducted as a joint venture) a track record of successfully developing prime office space in Central and is confident that the Project represents a similarly impressive opportunity for the Company.

The Directors consider that the Corporate Guarantee and underlying Loan Facility, based upon the terms of the agreed mandate, reflect normal commercial terms that are fair and reasonable and in the interests of LSD and the Shareholders as a whole. The opportunity is being taken, at this time, to seek the approval of Shareholders in respect of the Supplementary Financial Assistance, in case Diamond String is afforded any opportunity to upscale the Project, and such opportunity requires any commitment on the part of Diamond String's shareholders, potentially on shorter notice that the convening of any further general meeting of the Company would allow. Given that the Supplementary Financial Assistance would also be provided pro-rata to the Company's shareholding in Diamond String and only on normal commercial terms, the Directors consider that the commitment to the provision of the Supplementary Financial Assistances is fair and reasonable and in the interests of LSD and the Shareholders as a whole.

FINANCIAL EFFECTS OF PROVISION OF THE CORPORATE GUARANTEE

The provision of the Corporate Guarantee will have no material impact on the consolidated earnings and consolidated net assets of LSD except that the amount of the Corporate Guarantee will be a contingent liability for LSD.

LISTING RULES IMPLICATIONS

The Corporate Guarantee constitutes a major transaction of LSD pursuant to Chapter 14 of the Listing Rules (and any Supplementary Financial Assistance would, therefore, increase the size of such major transaction) and, accordingly, requires the approval of Shareholders in general meeting. So far as the Directors are aware, there are no Shareholders who would be required to abstain from voting on a resolution to approve the Corporate Guarantee and related matters.

The Corporate Guarantee and Supplementary Financial Assistance also constitutes financial assistance for the benefit of an affiliated company, namely Diamond String, for the purposes of rule 13.16 of the Listing Rules.

INFORMATION ON THE LSD GROUP AND THE TRANSACTION COUNTERPARTY

LSD is an investment and property holding company. Members of the LSD Group are engaged principally in the development of and investment in property and investment in and operation of hotels and restaurants. LSD also owns an interest of approximately 36.08% in eSun, whose subsidiaries and associates are engaged in media, entertainment, music production and distribution, advertising agency services and the development of a site in Cotai, Macau Special Administrative Region into a multi-purpose complex comprising retail, entertainment and world-class hotels in the name of "Macao Studio City".

CCBIFL is a wholly-owned subsidiary of China Construction Bank Corporation (Stock Code: 939). China Construction Bank Corporation is a joint stock limited company incorporated in the People's Republic of China with limited liability, principally engaged in the areas of corporate banking, personal banking and treasury operations.

Based on the above information and to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, CCBIFL and the China Construction Bank Corporation and the latter's ultimate beneficial owners are independent third parties not connected with LSD and connected persons of LSD.

EGM

LSD will convene the EGM at Salon 1-3, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 2 November 2009, at 10:00 a.m. at which an ordinary resolution will be proposed for the purpose of considering and, if thought fit, approving the Corporate Guarantee and Supplementary Financial Assistance, as well as authorising the Board to approve an extension to the term of the Corporate Guarantee by up to an additional period of 12 months as the Board considers appropriate, as set out on pages 18 to 19 of this circular. The voting on the resolution will be conducted by way of poll in accordance with the requirements of the Listing Rules.

A form of proxy for use by the Shareholders at the EGM and at any adjournment thereof is enclosed. Whether or not you propose to attend and vote at the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to LSD's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM, or any adjourned meeting, should you so wish.

RECOMMENDATION

The Directors consider the terms of the Corporate Guarantee, Supplementary Financial Assistance and extension to the term of the Corporate Guarantee to be normal commercial terms and the Corporate Guarantee, Supplementary Financial Assistance and extension to the term of the Corporate Guarantee to be fair and reasonable and in the best interests of the Shareholders as a whole, and therefore recommend that the Shareholders should vote in favour of the resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

On behalf of the Board of
Lai Sun Development Company Limited
Lam Kin Ngok, Peter
Chairman

1. **Indebtedness**

As at 31 August 2009, 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$2,130 million representing secured bank borrowings.

As at 31 August 2009, certain investment properties with carrying amounts of approximately HK$4,973 million (being their carrying amounts as at 31 January 2009 as disclosed in the interim report 2008-2009 of the Company), certain property, plant and equipment with carrying amounts of approximately HK$259 million, prepaid land lease payments of approximately HK$28 million, certain properties under development of approximately HK$406 million and certain bank balances and time deposits with banks of approximately HK$90 million were pledged to banks to secure banking facilities granted to the LSD Group. In addition, certain shares in subsidiaries held by the LSD Group were also pledged to banks to secure loan facilities granted to the LSD Group. Certain shares of an associate held by the LSD Group were pledged to a bank to secure a loan facility granted to this associate. Certain shares of an investee company held by the LSD Group were pledged to a bank to secure a loan facility granted to this investee company. The LSD Group's secured bank borrowings were also secured by floating charges over certain assets held by the LSD Group.

As at 31 August 2009, the LSD Group had the following material contingent liabilities:-

(a) In connection with the disposal (the "Transaction") of 100% interests in Majestic Hotel and Majestic Centre, Kowloon, Hong Kong by Taiwa Land Investment Company Limited ("Taiwa Land"), an indirect 50% owned associate of the LSD Group, Taiwa Land, LSD, and the other 50% beneficial shareholder of Taiwa Land (collectively the "Covenantors") entered into a tax deed (the "Tax Deed") with the purchaser of the Transaction, and Majestic Hotel Enterprises Holding Limited and Majestic Centre Holding Limited and their subsidiaries (collectively the "Properties Holding Companies") on 17 July 2007. Pursuant to the Tax Deed, the Covenantors severally agreed to indemnify the Properties Holding Companies against any taxation on profits levied by relevant tax authority in Hong Kong resulting from events happened prior to the completion of the Transaction for a maximum amount of HK$30,000,000. As such, the maximum liability of LSD under the Tax Deed is HK$15,000,000. The Tax Deed is valid for a period of 7 years from the date of its execution.

(b) Pursuant to certain indemnity deeds (the "Lai Fung Tax Indemnity Deed") dated 12 November 1997 entered into between LSD and Lai Fung Holdings Limited ("Lai Fung"), LSD has undertaken to indemnify Lai Fung in respect of certain potential PRC income tax and land appreciation tax ("LAT") payable or shared by Lai Fung in consequence of the disposal of any of the property interests attributable to Lai Fung through its subsidiaries and its associates as at 31 October 1997 (the "Property Interests"). These tax indemnities given by LSD 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 31 October 1997 (the "Valuation"); and (ii) the aggregate costs of such Property Interests incurred up to 31 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 LSD 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 18 November 1997.

After taking into account the Property Interests currently held by Lai Fung as at 31 August 2009 which are covered under Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing in PRC income tax and LAT, the total amount of tax indemnity given by LSD is estimated to be HK$1,341,829,000. A provision for the tax indemnity in an amount of HK$391,964,000 was made in the condensed consolidated financial statements of the LSD Group for the six months ended 31 January 2009 as disclosed in the interim report 2008-2009 of the Company.

Save as aforesaid and apart from intra-group liabilities, the LSD Group did not, as at 31 August 2009, have any material outstanding (i) debt securities, whether issued and outstanding, authorized or otherwise created but unissued or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by LSD or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

The Directors are not aware of any material change in the indebtedness and contingent liability position of the LSD Group since 31 August 2009.

2. **Financial and Trading Prospects**

The LSD Group's principal businesses include property development and investment in Hong Kong, investment in and operation of hotels and restaurants. The Company also owns an interest of approximately 36.08% in eSun, which is engaged in media, entertainment, music production and distribution, advertising agency services and the development of a site in Cotai, Macau Special Administrative Region into a multi-purpose complex, comprising retail, entertainment and world-class hotels in the name of "Macao Studio City".

Property investment and development

The LSD Group wholly owns three investment properties for rental purpose, i.e. Causeway Bay Plaza 2 in Causeway Bay, Hong Kong, Cheung Sha Wan Plaza and Lai Sun Commercial Centre in Cheung Sha Wan, Kowloon. The Group has successfully strengthened its tenant and trade mix during the recent global financial crisis. The Group will take a defensive approach as regards its rental policies, with the objective of maintaining occupancy rates and rental cashflows from its investment properties.

The LSD Group currently holds a number of residential projects under development in Hong Kong, namely the residential development project at Wood Road, Wanchai, Hong Kong, the residential development at Tai Po Road, Kowloon and the residential-cum-commercial property development project at Yau Tong, Kowloon. The LSD Group will monitor the local property market closely and will adopt a prudent approach towards acquiring new development projects in the future.

Redevelopment of The Ritz-Carlton Hong Kong site

This redevelopment project is a 50:50 joint venture between the LSD Group and a wholly-owned subsidiary of China Construction Bank Corporation ("CCB"). The buildable gross floor area for the redevelopment is approximately 224,000 square feet. The redeveloped office tower will become a landmark property in Central, Hong Kong. Part of the redeveloped property, upon its completion, will be used by CCB as offices of its Hong Kong operations.

Demolition work of the former The Ritz-Carlton Hong Kong hotel property started in April 2008 and was completed in January 2009. Foundation work is now in progress. The entire redevelopment work is now expected to be completed around the end of 2011.

Hotel management

The LSD Group holds hotel ownership stakes in Caravelle Hotel in Ho Chi Minh City, Vietnam. The LSD Group through its hotel management arm, Furama Hotels and Resorts International Limited, will focus on managing hotel rooms and service apartments in the region, including Greater China and Vietnam.

3. **Working Capital**

The Directors are of the opinion that, in the absence of any unforeseen circumstances and after taking into account available banking facility and internal resources of the LSD Group, the LSD Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

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 not contained herein the omission of which would make any statement contained in this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS OR CHIEF EXECUTIVE OF LSD

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

(a) LSD

	Long positions in LSD Shares						
Name of Director	**Personal Interests**	**Family Interests**	**Corporate Interests**	**Other Interests**	**Capacity**	**Total**	**Percentage**
Lam Kin Ngok, Peter	10,099,585	Nil	1,582,869,192 *(Note 1)*	Nil	Beneficial owner	1,592,968,777	11.25%
Lau Shu Yan, Julius	6,200,000	Nil	Nil	60,000,000 *(Note 3)*	Beneficial owner	66,200,000	0.47%
U Po Chu *(Note 2)*	633,400	Nil	Nil	Nil	Beneficial owner	633,400	0.004%

Notes:

(1) Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 LSD Shares. Mr. Lam Kin Ngok, Peter was deemed to be interested in such LSD Shares by virtue of his personal and deemed interest in approximately 37.69% of the issued share capital of LSG.

(2) Madam U Po Chu is the widow of the late Mr. Lim Por Yen, whose estate includes an interest of 197,859,550 LSD Shares.

(3) A share option scheme was adopted by LSD on 22 December 2006, commenced with effect from 29 December 2006, and will remain in force for a period of 10 years. Options granted to the above Director as at the Latest Practicable Date are set out below:

Name	Date of Grant	Number of Share Option	Option Period	Subscription Price
Lau Shu Yan, Julius	19/1/2007	15,000,000	19/1/2007 - 31/12/2010	HK$0.45
	19/1/2007	15,000,000	19/1/2007 - 31/12/2010	HK$0.55
	19/1/2007	15,000,000	19/1/2007 - 31/12/2010	HK$0.65
	19/1/2007	15,000,000	19/1/2007 - 31/12/2010	HK$0.75

(b) Associated Corporation - eSun

	Long positions in the shares						
Name of director	**Personal Interests**	**Family Interests**	**Corporate Interests**	**Other Interests**	**Capacity**	**Total**	**Percentage**
Lam Kin Ngok, Peter	2,794,443	Nil	Nil	3,779,013 *(Note)*	Beneficial owner	6,573,456	0.53%
Cheung Wing Sum, Ambrose	2,194,443	Nil	Nil	3,779,013 *(Note)*	Beneficial owner	5,973,456	0.48%
Leung Churk Yin, Jeanny	Nil	Nil	Nil	3,803,430 *(Note)*	Beneficial owner	3,803,430	0.31%

Note: An employee share option scheme was adopted by eSun on 23 December 2005 and will remain in force for a period of 10 years. Options granted to the above Directors as at the Latest Practicable Date are set out below:

Name	Date of Grant	Number of Share Option	Option Period	Subscription Price per Share
Lam Kin Ngok, Peter	24/02/2006	1,889,506	01/01/2009-31/12/2009	HK$4.43
	24/02/2006	1,889,507	01/01/2010-31/12/2010	HK$4.68
Cheung Wing Sum, Ambrose	24/02/2006	1,889,506	01/01/2009-31/12/2009	HK$4.43
	24/02/2006	1,889,507	01/01/2010-31/12/2010	HK$4.68
Leung Churk Yin, Jeanny	20/02/2008	1,267,810	01/01/2009-31/12/2009	HK$5.83
	20/02/2008	1,267,810	01/01/2010-31/12/2010	HK$6.18
	20/02/2008	1,267,810	01/01/2011-31/12/2011	HK$6.52

Save as disclosed above, 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' INTEREST

So far as is known to the Directors and chief executive of LSD, as at the Latest Practicable Date, the following persons, one of whom is a Director, had an interest in the following long and short 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:

	Long positions in LSD Shares			
Name	**Capacity**	**Nature**	**Number of LSD Shares**	**Percentage**
eSun	Owner of controlled corporation	Corporate	5,200,000,000	36.72%
Lai Sun Garment (International) Limited ("LSG")	Beneficial owner	Corporate	1,582,869,192	11.18% *(Note 1)*
Lam Kin Ngok, Peter	Beneficial owner	Personal and corporate	1,592,968,777	11.25% *(Note 1)*
Nice Cheer Investment Limited ("Nice Cheer")	Beneficial owner	Corporate	781,346,935	5.52%
Xing Feng Investments Limited ("Xing Feng")	Owner of controlled corporation	Corporate	781,346,935	5.52% *(Note 2)*
Chen Din Hwa	Owner of controlled corporation	Corporate	1,047,079,435	7.39% *(Note 3)*
Chen Yang Foo Oi	Interest of spouse	Family	1,047,079,435	7.39% *(Note 4)*
Paul G. Desmarais	Owner of controlled corporation	Corporate	1,100,000,000	7.77% *(Note 5)*
Nordex Inc. ("Nordex")	Owner of controlled corporation	Corporate	1,100,000,000	7.77% *(Note 5)*
Gelco Enterprises Limited ("Gelco")	Owner of controlled corporation	Corporate	1,100,000,000	7.77% *(Note 5)*
Power Corporation of Canada ("Power C")	Owner of controlled corporation	Corporate	1,100,000,000	7.77% *(Note 5)*
Power Financial Corporation ("Power F")	Owner of controlled corporation	Corporate	1,100,000,000	7.77% *(Note 5)*
IGM Financial Inc. ("IGM")	Owner of controlled corporation	Corporate	1,100,000,000	7.77% *(Note 5)*
Peter Cundill & Associates (Bermuda) Limited	Investment Manager	Corporate	903,108,000	6.38%

Notes:

1. LSG and its wholly-owned subsidiary beneficially owned 1,582,869,192 LSD Shares, and Mr. Lam Kin Ngok, Peter was deemed to be interested in such LSD Shares by virtue of his personal and deemed interest in approximately 37.69% of the issued share capital of LSG.

2. Xing Feng was taken to be interested its 781,346,935 LSD Shares beneficially owned by Nice Cheer due to its corporate interests therein.

3. Mr. Chen Din Hwa was taken to be interested in 781,346,935 LSD Shares by virtue of his corporate interests in Nice Cheer. In addition, Mr. Chen was taken to be interested in the 265,732,500 LSD Shares owned by Absolute Gain Trading Limited by virtue of his controlling interest therein.

4. Madam Chen Yang Foo Oi was deemed to be interested in 1,047,079,435 LSD Shares by virtue of the interest in such LSD Shares of her spouse, Mr. Chen Din Hwa.

5. Mr. Paul G. Desmarais was taken to be interested in 1,100,000,000 LSD Shares by virtue of his corporate interest in Nordex.

   Nordex was deemed to be interested in 1,100,000,000 LSD Shares due to its corporate interest in Gelco.

   Gelco was deemed to be interested in 1,100,000,000 LSD Shares by virtue of its corporate interest in Power C.

   Power C was deemed to be interested in 1,100,000,000 LSD Shares by virtue of its corporate interest in Power F.

   Power F was deemed to be interested in 1,100,000,000 LSD Shares by virtue of its corporate interest in IGM.

   IGM was deemed to be interested in 1,100,000,000 LSD Shares by virtue of its corporate interest in Mackenzie Inc., Mackenzie Financial Corporation and Mackenzie Cundill Investment Management Limited.

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of LSD, the following persons (other than Directors or chief executive of LSD) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the LSD Group:

Name of member of the LSD Group	**Name of the shareholder**	**Approximate percentage**
Chang Jet Realty Limited	Chien Tak Hsin, James	20%
Modern Charm Limited	Capital Well Holdings Limited	20%
	Bright Fame International Limited	10%
Porchester Assets Limited	Keck Seng Investments (Hong Kong) Limited	49%
Chains Caravelle Hotel Joint Venture Company Limited	Saigontourist Holding Company	49%
Star Winner Development Limited	Joyride Enterprise Limited	10%

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of LSD were not aware of any other person who had an interest or short position in the shares or underlying shares 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 or had any options in respect of such capital.

4. COMPETING INTEREST

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

Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and Madam U Po Chu held interests and/or directorships in companies engaged in the businesses of property investment and development in Hong Kong.

Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu, Mr. Tam Kin Man, Kraven and Miss Leung Churk Yin, Jeanny held directorships in Lai Sun Garment (International) Limited ("LSG"), a substantial shareholder of the Company. LSG is engaged in property investment and property development in Hong Kong.

Mr. Lam Kin Ming held interests and/or directorship in companies engaged in the production of pop concerts and management of artistes.

Mr. Lam Kin Ngok, Peter held interests and/or directorship in companies engaged in investment in and operation of restaurants in Hong Kong.

The Directors do not consider the interests held by the abovementioned directors to be competing in practice with the relevant businesses of the LSD Group in view of :

(1) the different locations and different uses of the properties owned by the above companies and those of the LSD Group; and

(2) the different target customers of the restaurant operation and the concert production of the above companies and those of the LSD Group.

As the Board is independent from the boards of the aforesaid companies and none of the above Directors can control the Board, the LSD Group is capable of carrying on its businesses independent of, and at arm's length from, the businesses of such companies.

Save as disclosed above and as at the Latest Practicable Date, none of the Directors or their respective Associates was interested in, apart from the LSD Group's businesses, any business which competes or is likely to compete, either directly or indirectly, with the businesses of the LSD Group.

5. DIRECTORS' SERVICE CONTRACTS

(a) Service Contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the LSD Group which was not expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation.

(b) **Assets of the LSD Group**

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have, since 31 July 2008 (being the date to which the latest published audited consolidated financial statements of LSD were made up), been acquired or disposed of by, or leased to, LSD or any member of the LSD Group, or were proposed to be acquired or disposed of by, or leased to, LSD or any member of the LSD Group.

(c) **Contracts of the LSD Group**

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the LSD Group subsisting at such date and which is significant in relation to the business of the LSD Group.

6. LITIGATION

No member of the LSD 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 LSD Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by LSD or any of its subsidiaries within the two years immediately preceding the Latest Practicable Date and are or may be material:

a. an agreement dated 7 November 2007 entered into between, among others, Surearn Profits Limited, a wholly-owned subsidiary of the Company, the Company and CCB International Group Holdings Limited for the sale and purchase of, among others, a 16.57% of the entire issued share capital of and loan to Diamond String Limited for a total consideration of $567.1 million, subject to adjustment;

b. an indemnity deed dated 17 December 2007 in respect of taxation entered into between Surearn Profits Limited, a wholly-owned subsidiary of the Company, Kailey Enterprises Limited, Nian Sheng Investments Limited, Honour Fair Inc. and CCB International Group Holdings Limited;

c. an agreement dated 30 January 2008 entered into between Surearn Profits Limited, a wholly-owned subsidiary of the Company, the Company and CCB International Group Holdings Limited for the sale and purchase of a further 10% interest in Diamond String Limited for a total consideration of $417.2 million, subject to adjustment; and

d. an irrevocable conditional undertaking dated 5 March 2008 given by LSD in favour of eSun in relation to the subscription by LSD of its pro rata entitlement to rights shares pursuant to a rights issue proposed by eSun.

8. 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 Chartered Secretaries and a member of Hong Kong Securities Institute.

(b) LSD's registered office is situated at 11/F, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

(c) The share registrar and transfer office of LSD is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of LSD since 31 July 2008, being the date of the latest published audited financial statements of LSD.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during the normal business hours at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong on any weekday, except public holidays, 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 annual reports of LSD for the years ended 31 July 2007 and 2008; and

(d) the material contracts referred to in the section headed "Material Contracts" in this Appendix II.

LAI SUN DEVELOPMENT

Lai Sun Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 488)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Lai Sun Development Company Limited will be held at Salon 1-3, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 2 November 2009 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an Ordinary Resolution:

Ordinary Resolution

"**THAT:**

the board of directors (the "**Board**") of Lai Sun Development Company Limited ("**LSD**") be and is hereby authorised to negotiate, settle and approve the form and content of all documentation concerning the financing for the redevelopment of the land and property at No. 3 Connaught Road Central, Central, Hong Kong (the "**Redevelopment**") by Diamond String Limited ("**Diamond String**") and to commit LSD to providing guarantees or other financial assistance in respect thereof, on the basis described in the circular of LSD dated 13 October 2009, of which this notice forms part, and without prejudice to the generality of the foregoing:

(i) the giving by LSD of unconditional and irrevocable guarantee(s) and undertaking(s) in favour of China Construction Bank Corporation, Hong Kong Branch and, if applicable, other international financial institutions by its invitation (the "**Lender(s)**"), on a several basis (and in proportion to LSD's shareholding interest in Diamond String), in respect of the performance by Diamond String of its obligations under a proposed secured syndicated term loan facility to be granted by the Lender(s) to Diamond String of up to HK$1,530 million, for the purposes of the Redevelopment and to be responsible for LSD's proportionate attributable share of any cost overruns (if any) in respect of the Redevelopment be and is hereby approved, confirmed and ratified;

(ii) the Board be and is hereby authorised to commit LSD to providing additional capital, loans, guarantee(s) and/or other financial assistance to or for the benefit of Diamond String in relation to any agreed upscaling of the Redevelopment, on the basis that the same shall be so provided in proportion to LSD's shareholding interest in Diamond String from time to time and otherwise on normal commercial terms;

(iii) the Board be and is hereby authorised (as necessary) to approve any extension to any guarantee or undertaking given by LSD as aforesaid by up to an additional period of 12 months beyond its initial agreed term, in each case as the Board considers appropriate or necessary for the purpose of facilitating the financing or re-financing of the Redevelopment; and

(iv) any one director of LSD, or any two directors of LSD if the affixation of the common seal is necessary, be hereby authorised to sign and execute all such documents, deeds, instruments and agreements, to do all such acts, matters and things, and to take all such steps as he/they may consider necessary, desirable or expedient to give effect to or in connection with the matters referred to in this resolution."

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

Hong Kong, 13 October 2009

Registered Office:
11/F., Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

Notes:

(a) A member entitled to attend and vote at the extraordinary general meeting is entitled to appoint not more than two proxies to attend and vote in his stead in accordance with LSD's Articles of Association. A proxy need not be a member of LSD.

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

(c) A form of proxy for use at the extraordinary general meeting is enclosed in this circular.

(d) The form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited with LSD's share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the extraordinary general meeting or adjourned meeting (as the case may be) and in default the proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the extraordinary general meeting or at any adjourned meeting should they so wish.