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

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**If you are in any doubt** as to any aspect of this Circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold** all your shares in eSun Holdings Limited, you should at once hand this Circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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**eSun Holdings Limited**  
*(Incorporated in Bermuda with limited liability)*

**DISCLOSEABLE TRANSACTION  
INVOLVING ISSUE OF NEW SHARES**

**ACQUISITION OF 100% INTEREST IN  
SPLENDID AGENTS LIMITED**

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## DEFINITIONS

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“Acquisition”	the acquisition of 100% equity interest in Splendid from the Vendors at a consideration of HK\$50,000,001
“Business Day”	a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for business throughout their normal business hours
“Company”	eSun Holdings Limited, a company incorporated in Bermuda with limited liability, shares of which are listed on the Stock Exchange
“Completion Date”	the third Business Day after the fulfillment of the Conditions set out in Part I on page 3 of this Circular
“Consideration”	HK\$50,000,001 to be satisfied by the issue and allotment of 100,000,002 shares in the Company to the Vendors at the issue price of HK\$0.50 per share
“Consideration Shares”	the 100,000,002 new shares of HK\$0.50 each in the Company to be issued and allotted by the Company at an issue price of HK\$0.50 per share to the Vendors
“Directors”	the directors including the independent non-executive directors of the Company
“Group”	the Company and its subsidiaries
“Latest Practicable Date”	5th June, 2003, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LSD”	Lai Sun Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“LSG”	Lai Sun Garment (International) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“MAH”	Media Asia Holdings Limited, a company incorporated in the British Virgin Islands
“Sale and Purchase Agreement”	the agreement dated 15th May, 2003 made between the Company as purchaser and the Vendors

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.50 each in the capital of the Company
“Skymaster”	Skymaster International Inc., a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Splendid”	Splendid Agents Limited, a company incorporated in the British Virgin Islands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Liu Wing Leung, Jerry, Chong Koon Nam and Double Classic Ltd. (each a “Vendor”)
“HK\$”	Hong Kong Dollars
“PRC”	The People’s Republic of China
“%”	per cent.

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LETTER FROM THE BOARD

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**eSun Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

*Board of Directors:*

*Executive Directors*

Lien Jown Jing, Vincent (*Chairman*)

Lee Po On (*Chief Executive Officer*)

Lam Kin Ngok, Peter

Lim Por Yen

Liu Ngai Wing

*Non-Executive Directors*

Lam Kin Ming

Tam Wai Chu, Maria

U Po Chu

Shiu Kai Wah

Chiu Wai

*Independent Non-Executive Directors*

Alfred Donald Yap

Low Chee Keong

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Principal Place of Business in Hong Kong:*

11th Floor, Lai Sun Commercial Centre

680 Cheung Sha Wan Road

Kowloon

Hong Kong

6th June, 2003

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION  
INVOLVING ISSUE OF NEW SHARES**

**INTRODUCTION**

It was announced on 19th May, 2003 by the Directors that the Company had entered into the Sale and Purchase Agreement for the purpose of acquiring 100% equity interest in Splendid from the Vendors.

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## LETTER FROM THE BOARD

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Each of the Vendors and the beneficial owner of Double Classic Ltd. is not a connected person as defined in the Listing Rules. The Vendors (through Splendid) and Skymaster own shares in MAH. Liu Wing Leung, Jerry and Chong Koon Nam together with Wellington Fung, the controlling shareholder of Double Classic Ltd., are founders of MAH. Neither Double Classic Ltd. nor Wellington Fung has any existing shares of the Company. Each of Liu Wing Leung, Jerry and Chong Koon Nam owns not exceeding 1% of the issued capital of the Company.

The Acquisition constitutes a discloseable transaction under the Listing Rules. The purpose of this Circular is to give you additional information in respect of the Acquisition.

### **SALE AND PURCHASE AGREEMENT**

#### **Consideration**

Pursuant to the Sale and Purchase Agreement, the Company agreed to acquire 1 share of US\$1.00 each in the registered share capital of Splendid from each of the Vendors (in aggregate 3 shares in and representing 100% of the entire issued share capital of Splendid) at a total consideration of HK\$50,000,001, to be satisfied by the issue and allotment of 100,000,002 new shares in the Company to the Vendors at HK\$0.50 per share.

The Consideration and the terms of the Sale and Purchase Agreement were determined following arm's length negotiations with the Vendors based on normal commercial terms. The Consideration is agreed on the assessment of the value of MAH by the Company (with reference to the financial performance of MAH as reflected in its profits in the track record of the two previous years and its profit potential in the future) and the par and trading values of the Consideration Shares. (Based on the closing price of the shares of the Company as quoted on the Stock Exchange on 14th May, 2003 which is the latest practicable date before the date of the Sale and Purchase Agreement which is HK\$0.186 per share, the amount of the Consideration is HK\$18,600,000.372.) Based on the aforesaid, the Directors take the view that the Consideration is fair and reasonable.

#### **Consideration Shares**

Each of the Vendors will receive 33,333,334 Consideration Shares, pro rata to his/its interest in Splendid. Each of the Vendors undertakes not to dispose of the Consideration Shares allotted to him/it at any time within 6 months from the Completion Date and thereafter on the basis of consultation with the Company for the purposes of preserving an orderly market in the shares of the Company. None of the Vendors will as a result of the transaction own 10% or more of the enlarged issued share capital of the Company.

The issue price of the Consideration Shares represents a 168.82% net premium to the closing price of the shares of the Company of HK\$0.186 per share as quoted on the Stock Exchange on 14th May, 2003 which is the latest practicable date before the date of the Sale and Purchase Agreement.

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## LETTER FROM THE BOARD

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### **Status of Consideration Shares**

The Consideration Shares when issued will rank pari passu in all respects with the then existing shares of the Company and will be issued pursuant to the general mandate on the issue of shares granted to the Directors by the shareholders of the Company at the 2002 annual general meeting held on 27th May, 2002. The Consideration Shares represent approximately 17.51% of the existing issued share capital of the Company and approximately 14.90% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

### **Conditions**

Completion of the Sale and Purchase Agreement is conditional upon the fulfillment of the following condition:

The Listing Committee of the Stock Exchange granting or agreeing to grant (either unconditionally or subject only to conditions to which the Company shall reasonably accept) listing of and permission to deal in the Consideration Shares.

The above condition will have to be fulfilled on or before 30th June, 2003. In the event that the above condition is not fulfilled on or before 30th June, 2003 or such later date as the Vendors and the Company may agree in writing, the Sale and Purchase Agreement shall become null and void and be of no further effect whatsoever and all the obligations and liabilities of the Vendors and the Company shall cease and determine.

Up to the Latest Practicable Date, the above condition has not been fulfilled.

### **Directors**

Upon completion of the sale and purchase of the shares of Splendid under the Sale and Purchase Agreement, all existing directors of Splendid will resign and new directors will be appointed by the Company to Splendid. However, since the Vendors still have interest in MAH through their shareholdings in the Company, the existing directorship of MAH will remain unchanged. Furthermore, no new directors will be appointed by the Company to MAH since the Company has increased its influence in MAH by the increase of its shareholding and the daily management will continue to be run by Liu Wing Leung, Jerry, Chong Koon Nam and Wellington Fung, the founders of MAH.

### **INFORMATION ON SPLENDID**

Splendid is a limited company incorporated in the British Virgin Islands and is the registered and beneficial owner of 1,000 shares in MAH representing 14.64% of the entire issued capital of MAH. Splendid's only business is its investment in MAH.

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## LETTER FROM THE BOARD

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### GENERAL INFORMATION

The Group is engaged principally in the development and operation of, and investment in, satellite television, media, entertainment and other technology-oriented business, the provision of advertising agency services and the management of hotel operations.

### REASONS FOR THE TRANSACTION

The Company is already a substantial shareholder of MAH. Its wholly-owned subsidiary, Skymaster, owns a 35.13% interest in MAH. The Company intends to increase its stake in MAH, and as a result of the transaction, the Company will have an attributable interest of 49.77% in the entire issued share capital of MAH. Mr. Lim Por Yen, a director of the Company, owns a 5.75% interest in MAH. Save as disclosed in this Circular, no other shareholder in MAH is a connected person to the Company (as defined in the Listing Rules).

MAH is a company engaged in the investment, production and distribution of films and related products. It produced and owns a number of best selling film titles, including “Infernal Affairs”, the film that won seven Hong Kong Film Awards for 2002: best movie, best screenplay, best director, best actor, best supporting actor, best editing and best theme song. Besides production of films, MAH is a major film distributor, marketing local films in overseas markets, and sourcing foreign films for Hong Kong screens. It is also engaged in the sale of video and digital discs of films and local concerts.

MAH has carried on a profitable business in the past two years with an audited net profit attributable to the shareholders of HK\$20,439,558 for the year ended 31st December, 2001 and an unaudited net profit attributable to shareholders of HK\$20,371,833 for the year ended 31st December, 2002. MAH has an audited net asset value of HK\$125,894,210 as at 31st December, 2001 and an unaudited net asset value of HK\$146,266,043 as at 31st December, 2002.

Yours faithfully,  
By Order of the Board  
**eSun Holdings Limited**  
**Lien Jown Jing, Vincent**  
*Chairman*

## 1. RESPONSIBILITY STATEMENT

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

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

	<b>Number of Shares of HK\$0.50 each '000</b>	<b>Nominal value HK\$'000</b>
Authorised:	2,000,000	1,000,000
Issued and fully paid	571,185	285,592

There was no movement in the share capital for the period between 31st December, 2002 and the Latest Practicable Date.

Each Share ranks *pari passu* in all respects, including dividends, voting and capital.

As at the Latest Practicable Date, the Company did not have any warrants, options, convertible securities or other securities in issue. None of the unissued share or loan capital of the Company is subject to any warrants, options or conversion rights and it has not been agreed, conditionally or unconditionally, to put any of the unissued share or loan capital of the Company under any warrants, options or conversion rights.

## 3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company and their associates in any shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive was deemed or taken to have under such provisions of the SFO), or which were required to be entered in the register

maintained by the Company pursuant to section 352 of the SFO or which required notification pursuant to the Code for Securities Transactions by Directors adopted by the Company were as follows:

- (i) Beneficial interests and long positions in the shares of the Company

<b>Name of Director</b>	<b>Capacity</b>	<b>Nature</b>	<b>Total</b>	<b>Percentage</b>
Lien Jown Jing, Vincent	Beneficial owner	Personal	931,800	0.16
Lee Po On	Beneficial owner	Personal	5,195,934	0.91
Lim Por Yen	Beneficial owner	Corporate & Family	285,512,791	49.99
U Po Chu	Beneficial owner	Corporate & Family	285,512,791	49.99
Liu Ngai Wing	Beneficial owner	Personal	3,321,215	0.58

*Note:* LSD and certain of its wholly-owned subsidiaries together beneficially owned 285,512,791 Shares. 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 (and his spouses Madam U Po Chu and Madam Lai Yuen Fong) held an interest of approximately 34.01% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held in aggregate an interest of approximately 42% in the issued share capital of LSG.

- (ii) None of the Directors has beneficial interests or short positions in underlying shares of equity derivatives of the Company.
- (iii) None of the Directors has beneficial interests or short positions in debentures of the Company.
- (iv) The Company has no associated corporations.

Other than the Shares set out above, as at the Latest Practicable Date, none of the other Directors or chief executives of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (as defined in Part XV of the SFO) which would be required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which a director or a chief executive would be taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Code for Securities Transactions by Directors adopted by the Company.

#### 4. SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, the following persons other than a Director or chief executive of the Company had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company

under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities:

Name	Capacity	Nature	Total	Percentage
Lai Sun Development Company Ltd	Beneficial owner	Corporate	285,512,791 (Note 1)	49.99
Lai Sun Garment (International) Ltd	Beneficial owner	Corporate	285,512,791 (Note 2)	49.99
Lim Por Yen	Beneficial owner	Corporate	285,512,791 (Note 3)	49.99
Lai Yuen Fong	Beneficial owner	Family	285,512,791 (Note 3)	49.99
U Po Chu	Beneficial owner	Family	285,512,791 (Note 3)	49.99
Silver Ace Ltd	Beneficial owner	Corporate	50,439,600 (Note 4)	8.83
Lagonda Resources Ltd	Beneficial owner	Corporate	50,439,600 (Note 4)	8.83
Wong Hoi Ping	Beneficial owner	Corporate & Family	50,439,600 (Note 4)	8.83
Li Chi Keung	Beneficial owner	Corporate & Family	50,439,600 (Note 4)	8.83
Liu Chong Hing Bank Ltd	Custodian corporation	Corporate	285,608,791	50.00
Liu Wing Leung, Jerry	Beneficial owner	Personal & Family	33,879,506 (Note 5)	5.05
Kan Ying Che, Ruth	Beneficial owner	Personal & Family	33,879,506 (Note 5)	5.05
Chong Koon Nam	Beneficial owner	Personal	33,591,057 (Note 5)	5.00
Sin Chi Ling	Beneficial owner	Family	33,591,057 (Note 5)	5.00
Lovendale International Inc.	Person having a security interest in shares	Corporate	285,512,791	49.99

*Notes:*

1. This interest has been pledged to a non-qualified lender by way of security.
2. These interests in the Company were held by the LSD Group. LSG was deemed to be interested in the 285,512,791 Shares held by the LSD Group by virtue of LSG and its wholly-owned subsidiary holding collectively an interest of approximately 42.25% in the issued ordinary share capital of LSD.

3. Mr. Lim Por Yen and his spouses, Madam Lai Yuen Fong and Madam U Po Chu, held an interest of approximately 34.01% 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 in aggregate an interest of approximately 42% in the issued share capital of LSG.

4. This relates to the same interest in the Company.
5. Mr. Liu Wing Leung and his spouse and Mr. Chong Koon Nam and his spouse are each regarded as interested in 33,333,334 shares to be issued and allotted by the Company in relation to the acquisition of 100% interest in Spendid. The percentage holdings of Messrs. Liu and Chong and their respective spouse are based on the issued share capital of the Company on an enlarged basis.

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

## 5. SECRETARY

The secretary of the Company is Mr. Yeung Kam Hoi, who is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries, and a member of Hong Kong Securities Institute.

## 6. LITIGATION

- (a) In 1998, the Group disposed of its 50% interest in Delta Hotels Limited (“DHL”) to Canadian Pacific Hotels Corporation (the “Purchaser”). Under the terms of the sale and purchase agreement, C\$10 million (approximately HK\$50 million based on the then prevailing exchange rate) of the sale proceeds was held in escrow (the “Holdback Funds”) pending the expiration of a warranty period.

An additional C\$14.5 million (approximately HK\$72.5 million based on the then prevailing exchange rate) was held in escrow in respect of potential increases in the purchase price (the “Earnout Funds”). This represented the potential maximum amount that the Group and its co-seller could gain based on the future performance of DHL and the satisfaction of other conditions.

The Purchaser made claims against the Holdback Funds in 1999. Subsequently, C\$8 million (approximately HK\$40 million based on the then prevailing exchange rate) of the Holdback Funds was released to the Group and the other owner (collectively, the “DHL Vendors”) during 2000. The DHL Vendors then commenced an action in 2000 against the Purchaser for the remaining C\$2 million (approximately HK\$10 million based on the then prevailing exchange rate).

In 2001, the action was expanded to include a claim by the DHL Vendors for C\$2.5 million (approximately HK\$12.5 million based on the then prevailing exchange rate) of the Earnout Funds which was disputed by the Purchaser as unearned.

The action has recently been settled. Pursuant to the settlement, C\$950,000 (approximately HK\$4,750,000 based on the then prevailing exchange rate) was paid to the Group in relation to the Holdback Funds and C\$1,460,000 (approximately HK\$7,300,000 based on the then prevailing exchange rate) was paid to the Group in respect of the Earnout Funds that were in dispute in the Action and certain other Earnout Funds. These amounts are for principal only and were subject to adjustment for interest, commissions and withholding tax. Of this total amount, the sum of C\$1 million had been released to the Group. The balance is held in a further escrow account for one year pending the expiry or resolution of other issues and potential liabilities.

- (b) On or about 17th June, 2002, a Writ of Summons was issued in the Court of First Instance by East Asia Entertainment Limited (“EAE”), a wholly-owned subsidiary of the Company, and Active Union Limited (“AUL”), a joint venture company of the Company, against Australasian Entertainment Corporation Limited (“AEC”), the other joint venturer and other related parties including Mr. Dale Rennie claiming for, inter alia, loss and damages (amount to be assessed) suffered in holding an entertainment show known as “Spectaculum”. AEC counterclaimed the unsettled expenditure incurred in the show in the sum of HK\$1,486,779. Application for summary judgment against Mr. Rennie for part of the amount claimed in the sum of US\$81,000.00 (approximately HK\$631,800 based on the then prevailing exchange rate) being a liquidated sum that he had personally undertaken to repay was heard but dismissed by the Court with costs to Mr. Rennie. Directions will be applied for in relation to the further conduct of the action.
- (c) On or about 29th July, 2002, a Writ of Summons was issued in the Court of First Instance by Glynhill International Limited (“GIL”), a subsidiary of the Company, against the two defendants, Belford Pacific Limited and Tse Wan Chung Philip, for a sum of US\$156,900 (approximately HK\$1,223,820 based on the then prevailing exchange rate) plus interest being a loan owed by the two defendants and assigned by the original lender of the loan in favour of GIL. No defence has been filed by the defendants. The defendants have issued a Third Party Notice against a Chau Hong Ming Peter seeking for indemnity from him against the Group’s claim.

Save as aforesaid, as at the latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.