



LEE HING DEVELOPMENT LIMITED

利興發展有限公司

(Incorporated in Hong Kong with limited liability)

MAJOR TRANSACTION ISSUE OF US\$79.5M NOTE BY A NON-CONSOLIDATED SUBSIDIARY AND DISCLOSEABLE TRANSACTION REPURCHASE OF SHARES IN A NON-CONSOLIDATED SUBSIDIARY AND ENTERING INTO OF THE PARTICIPATION AGREEMENT

On 15 July 2003,
— Argent and Silverlink entered into the Argent-Silverlink Agreement for the repurchase of 5,000,000 Silverlink Shares by Silverlink for a cash consideration of US\$40,000,000 (equivalent to approximately HK\$312 million);
— Argent and the Noteholder entered into the Participation Agreement for the acquisition of 37.736% participation right under the US\$79.5M Note for the amount of US\$30,000,000 (equivalent to approximately HK\$234 million).
The Participation Agreement and the Argent-Silverlink Agreement have been completed on 15 July 2003, the date of the entering into of the Participation Agreement and the Argent-Silverlink Agreement. As a result of the Silverlink Repurchase, the effective interests of the Company in Silverlink decreased from approximately 64.82% to approximately 52.25%.
On 27 November 2002, Silverlink issued the US\$79.5M Note to the Noteholder for the consideration of US\$79.5 million (equivalent to approximately HK\$620.1 million). Details of the US\$79.5M Note are set out in the paragraph headed "Terms of the US\$79.5M Note". Upon full conversion of the US\$79.5M Note and taking into account the participation rights of Silverlink under the Participation Agreement and the effect of the Silverlink Repurchase, the interest of Argent in Silverlink will be further decreased to 37.74%.
The Stock Exchange has ruled that the issue of the US\$79.5M Note constituted a major transaction for the Company and should be made subject to the disclosure and approval requirements under Chapter 14 of the Listing Rules at the time of the issue of the US\$79.5M Note in November 2002. As the Company has neither disclosed the issue of the US\$79.5M Note by way of an announcement and a circular nor sought shareholders' approval at the time of the issue of the US\$79.5M Note in November 2002, the Stock Exchange has indicated that it reserves its right to take appropriate action against the Company and/or the Directors. The Silverlink Repurchase constitutes a discloseable transaction for the Company under the Listing Rules.
The Company will seek a written certificate from the Closely Allied Group to approve the issue of the US\$79.5M Note instead of convening an extraordinary general meeting for approving the same. A circular containing further details of the US\$79.5M Note, the Participation and the Silverlink Repurchase will be despatched to the shareholders of the Company as soon as practicable.

THE SILVERLINK REPURCHASE

The Silverlink Repurchase

Date of the Argent-Silverlink Agreement : 15 July 2003

Parties : Argent, an approximately 91.78% indirectly owned subsidiary of the Company, as the vendor Silverlink, an indirectly owned subsidiary of the Company in which the Company has an effective interests of approximately 64.82% before the Silverlink Repurchase and an effective interests of approximately 52.25% after the Silverlink Repurchase, as the purchaser

Subject : 5,000,000 shares of US\$1.00 each in the capital of Silverlink, representing approximately 31.8% of the issued share capital of Silverlink before completion of the Silverlink Repurchase

Consideration : The whole of the consideration in the amount of US\$40,000,000 (equivalent to approximately HK\$312 million) was satisfied by cash and funded from proceeds in the amount of US\$79.5 million (equivalent to approximately HK\$620.1 million) from the issued of the US\$79.5M Note by Silverlink to the Noteholder on 27 November 2002. Particulars of the US\$79.5M Note are set out in the paragraph headed "Terms of US\$79.5M Note" in this announcement
The consideration is determined by reference to the audited net asset value of Silverlink as at 31 December 2002 of US\$143.9 million (equivalent to approximately HK\$1,122.4 million)
The consideration was utilised by Argent as to US\$30,000,000 (equivalent to approximately HK\$234 million) to finance the acquisition of 37.736% participation right under the US\$79.5M Note pursuant to the Participation Agreement and as to US\$10,000,000 (equivalent to approximately HK\$78 million) to reduce existing bank borrowings of the Group to approximately HK\$275 million as at the date of this announcement (after repayment of the amount of US\$10,000,000 (equivalent to HK\$78,000,000)). Particulars of the Participation Agreement are set out in the paragraph headed "The Participation Agreement" in this announcement

Completion : Completion of the Silverlink Repurchase has taken place immediately after the entering into of the Argent-Silverlink Agreement, that is 15 July 2003. The 5,000,000 Silverlink Shares were cancelled upon completion of the Silverlink Repurchase

The Participation Agreement

Date of the Participation Agreement : 15 July 2003

Parties : The Noteholder and Argent

Subject : The right to participate in the rights, title and interests under the US\$79.5M Note in respect of a principal amount of US\$30,000,000 (equivalent to approximately HK\$234 million), representing a 37.736% interest in the US\$79.5M Note, in the principal amount of US\$79,500,000 (equivalent to approximately HK\$620.1 million). The terms of the US\$79.5M Note are set out in the paragraph headed "Terms of the US\$79.5M Note" in this announcement.
Such participation rights include but not limited to the right to interests payable on the US\$79.5M Note at the rate of 5% per annum payable quarterly and Silverlink Shares upon conversion of the principal amount outstanding at the time of conversion. As a participant, Argent only participates in the rights upon the exercise of such rights by the Noteholder and cannot exercise any of the rights under the US\$79.5M Note independently. Argent will receive any payment under the US\$79.5M Note or Silverlink Shares through the Noteholder, instead of from Silverlink directly

Consideration : US\$30,000,000 (equivalent to approximately HK\$234 million) in cash and funded from the proceeds from the Silverlink Repurchase

Completion : Completion of the Participation Agreement has taken place immediately after the entering into of the Participation Agreement, that is 15 July 2003

THE US\$79.5M NOTE

On 27 November 2002, Silverlink issued the US\$79.5M Note to the Noteholder for a consideration of US\$79.5 million (equivalent to approximately HK\$620.1 million). The proceeds from the issue of the US\$79.5M Note was used as to US\$40,000,000 (equivalent to approximately HK\$312 million) to finance the Silverlink Repurchase and as to the remaining balance in the amount of US\$39.5 million (equivalent to approximately HK\$308.1 million) to finance the hotel projects of Silverlink in India, Bhutan and Sri Lanka.
Upon full conversion of the US\$79.5M Note in full by the Noteholder (without taking into account the participation rights of Argent under the Participation Agreement), the interest of Argent in Silverlink will be diluted to approximately 0.007%. Upon full conversion of the US\$79.5M Note and taking into account the participation rights of Silverlink under the Participation Agreement and the effect of the Silverlink Repurchase, the interest of Argent in Silverlink will be further decreased to 37.74%.

At the time of the issue of the US\$79.5M Note, the Directors were of the view that since the accounting treatment of the Company's interests in Silverlink is similar to that of inventories and that Silverlink is a non-consolidated subsidiary of the Company, the issue of the US\$79.5M Note would not have constituted a deemed disposal of the Company's interest in Silverlink for the purpose of the Listing Rules. On the basis of this belief, the Company did not consider it necessary to make an announcement or issue a circular and to seek the approval of the shareholders in relation to the issue of the US\$79.5M Note pursuant to the requirements of Chapter 14 of the Listing Rules. Upon vetting the announcement relating to the Silverlink Repurchase, the Stock Exchange has ruled that in spite of the accounting treatment of the Company's interests in Silverlink, the issue of the US\$79.5M Note constituted a deemed disposal of interests in an asset for the purpose of Chapter 14 of the Listing Rules and should be subject to the disclosure and approval requirements under Rule 14.10 of the Listing Rules. The Stock Exchange has indicated that it reserves its right to take appropriate action against the Company and/or the Directors.

Parkway Panama Limited Inc and M&P Investments Pte Ltd., both of which are wholly owned subsidiaries of Parkway Holdings Ltd, International Aviation Services Sdn Bhd, a wholly owned subsidiary of IGB Corporation Bhd, HK 1 Limited and TYMS Limited, all of which are shareholders of the Company and are interested in an aggregate of approximately 52.45% of the issued share capital of the Company and a closely allied group of shareholders have indicated that they would approve the resolution for approving the issue of the US\$79.5M Note. Given that none of the members of the Closely Allied Group is interested in the US\$79.5M Note which would require them to abstain from voting on a resolution for approving the issue of the US\$79.5M Note, the Company will seek a written certificate from the Closely Allied Group to approve the issue of the US\$79.5M Note instead of convening an extraordinary general meeting for approving the same.

Terms of the US\$79.5M Note

Issuer : Silverlink
Date of issue : 27 November 2002
Holder of the US\$79.5M Note : the Noteholder
Principal amount : US\$79,500,000 (equivalent to approximately HK\$620.1 million). The whole of the principal amount of the US\$79.5M Note in the sum of US\$79.5 million (equivalent to approximately HK\$620.1 million) has been drawn down by Silverlink and remained outstanding as at the date of this announcement

Interest rate and premium : Interest rate at 5% per annum on the principal amount outstanding payable in arrears quarterly on 31 March, 30 June, 30 September and 31 December. The Noteholder may choose not to receive interests accrued on the note and to treat the accrued interest as part of the principal outstanding under the note
Premium at 10% per annum on the principal amount outstanding payable in arrears on the date of repayment of the principal amount outstanding calculated from the date of the issue of US\$79.5M Note up to the date of repayment

Maturity date : 30 June 2008

Conversion rights : To convert the principal amount outstanding in whole or in part into Silverlink Shares by the later of either (a) on or before 31 March of any of the years 2006, 2007 and 2008; or (b) on or before 90 days after delivery of the consolidated accounts of Silverlink for the previous year in any of the years 2006, 2007 and 2008
At each conversion, the Noteholder can convert the principal amount into such number of Silverlink Shares which will result in the Noteholder being interested in the such percentage of the issued share capital of Silverlink as enlarged by the Silverlink Shares to be issued and allotted upon conversion as equivalent to the lesser of (a) 99.99% of the issued share capital of Silverlink; or (b) the percentage calculated by reference to the following formula:
$$99.99 \times \frac{A}{B \times C}$$

A = the principal amount of the Note being converted
B = the after tax profit of Silverlink in the year immediately before the year of conversion
C = 7.0 if conversion takes place on or prior to 31 December 2006, 6.0 if conversion takes place in the year ending 31 December 2007 and 5.0 if conversion takes place in the six months ending 30 June 2008
Under the conversion formula, the principal amount of the US\$79.5M Note in the amount of US\$79.5 million (equivalent to approximately HK\$620.1 million) can be converted into such maximum number of Silverlink Shares as are equivalent to 99.99% of the issued share capital of Silverlink as enlarged by the Silverlink Shares issued and allotted pursuant to the conversion

Form : The US\$79.5M Note is in registered form

Security : The US\$79.5M Note was secured by a debenture over the assets of Silverlink dated 27 November 2002 and pledge of shares in the subsidiaries of Silverlink pursuant to a share pledge agreement dated 27 November 2002

Listing and transferability : The US\$79.5M Note was not listed on any stock exchange
The Noteholder may assign or transfer all or part of its rights and obligations under the Note

Governing law : The laws of Singapore

Information on Silverlink

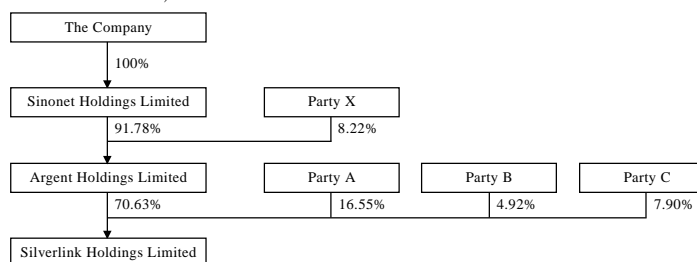
Silverlink is an investment holding company, its assets are a hotel chain with hotels located in Indonesia, Philippines, Thailand, France, French Polynesia and Morocco. As a result of the Silverlink Repurchase, the effective interests of the Company in Silverlink decreased from approximately 64.82% to approximately 52.25%. Upon full conversion of the US\$79.5M Note and taking into account the participation rights of Silverlink under the Participation Agreement and the effect of the Silverlink Repurchase, the interest of Argent in Silverlink will be further decreased to 37.74%.

The following are the consolidated audited profits of Silverlink and its subsidiaries before and after taxation for the two years ended 31 December 2002:

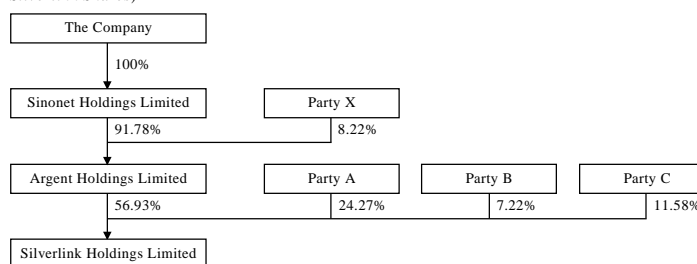
	Profits before taxation US\$ (approximately)	Profits after taxation US\$ (approximately)
Year ended 31 December 2001	13,039,000	10,346,000
Year ended 31 December 2002	4,682,000	3,273,000

Shareholding structure of Silverlink before and after the Silverlink Repurchase

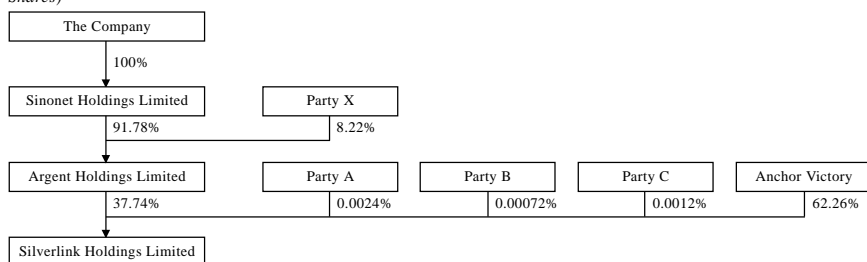
Shareholding structure of Silverlink before the Silverlink Repurchase (on the basis that no part of the US\$79.5M Note is converted into Silverlink Shares)



Shareholding structure of Silverlink after the Silverlink Repurchase (on the basis that no part of the US\$79.5M Note is converted into Silverlink Shares)



Shareholding structure of Silverlink after the Silverlink Repurchase (on the basis that the whole of the principal amount of the US\$79.5M Note in the amount of US\$7.5 million (equivalent to approximately HK\$620.1 million) is converted into Silverlink Shares)



REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The principal activities of the Group are investment holding, sale and purchase of long-term listed investments and trading of short-term investments. Major assets of the Group includes certain properties in Hong Kong, interests in a hotel in Saigon, Vietnam and Harbin, the PRC and securities in companies listed on the Stock Exchange and stock exchange in Malaysia.

The downturn of the tourism in Southeast Asia since last year led to a decrease in demand for hotel rooms. As Silverlink required funding to finance its hotel projects in India, Bhutan and Sri Lanka, the only available method to raise funding was to issue the US\$79.5M Note to the Noteholder. The Directors considered that the issue of the US\$79.5M Note would be the most appropriate arrangement to raise the requisite funding for Silverlink.

At the same time, Argent needed to refinance the bank loan (the "Bank Loan") obtained to finance the acquisition of Silverlink. The outstanding amount of the Bank Loan is US\$33.9 million (equivalent to approximately HK\$264.4 million) as at the date of this announcement. Accordingly, it was agreed that the US\$79.5M Note would be issued by Silverlink, with part of the proceeds to be used to reduce the Bank Loan and to finance the acquisition of a participation rights thereunder.

The acquisition of the participation rights under the Participation Agreement is required to show that the Company has changed its intention to hold its interests in Silverlink as a short term investment to a long term investment. Under the terms of the US\$79.5M Note, the earliest possible time for the Noteholder to convert the US\$79.5M Note is the year 2006. Therefore, the Company would have to reclassify its interests in Silverlink as long term asset to adequately reflect the status of its holding therein. Upon completion of the Silverlink Repurchase and the Participation Agreement, the Company's interest in Silverlink will be classified as interest in an associated company and a long term asset.

The Directors believe that by virtue of the Participation, the Company will be able to recoup the value of its investment even in time when tourism is depressed. The Directors believe that by maintaining a holding in Silverlink, the Company will also be able to benefit from the future income of Silverlink, including the future income that may be generated from the hotel projects in India, Bhutan and Sri Lanka and recover its investment in Silverlink when the market improve in the future.

Furthermore, the Directors consider the Silverlink Repurchase to be an effective means to finance the acquisition of the participation rights under the Participation Agreement without having to increase the financial burden of Argent. With the participation rights under the Participation Agreement, Argent will be interested in approximately 37.74% of Silverlink upon exercise of the US\$79.5M Note in full by the Noteholder, taking into account the effect of the Silverlink Repurchase. Assuming there is no Silverlink Repurchase, the interests of Argent in Silverlink upon exercise of the US\$79.5M Note in full by the Noteholder will still be approximately 37.74%, taking into account Argent's right under the Participation Agreement.

In addition, the participation right in the US\$79.5M Note will enable the Group to enjoy a steady flow of income from its 37.736% share in the interests payment under the US\$79.5M Note. Argent will be entitled to interest income in the amount of approximately HK\$11.7 million per annum. The Directors believe that it is in the interests of the Group to for Argent to enjoy a steady stream of income flow. In case the Noteholder decides not to receive any interest payment, the interests will form part of the principal amount outstanding under the US\$79.5M Note. In the event the US\$79.5M Note is repaid, Argent will also be able to enjoy the 10% premium on the outstanding principal amount of the US\$79.5M Note as at the date of repayment.

As at the date of this announcement, the total outstanding bank borrowing of the Group (including the Bank Loan) is approximately HK\$275 million after repayment of bank borrowing in the amount of US\$10,000,000 (equivalent to approximately HK\$78 million) with part of the proceeds from the Silverlink Repurchase used to reduce the total bank borrowing of the Group by approximately 12.99%, which would save interests expenses by approximately HK\$2.6 million per year.

GENERAL

The issue of the US\$79.5M Note constitutes a major transaction for the Company under the Listing Rules and the Silverlink Repurchase constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing further details of the US\$79.5M Note, the Participation and the Silverlink Repurchase will be despatched to the shareholders of the Company as soon as practicable.

In addition to the Silverlink Repurchase, Silverlink may repurchase further Silverlink Shares from Argent and Argent may repurchase shares in Argent from the minority shareholder of Argent in future, if the Directors consider such repurchases to be in the benefit and interest of the Company and the shareholders to do so. Further convertible note may also be issued by Silverlink to finance its expansions. No final terms have been agreed in relation to the aforementioned repurchases or issue of convertible note. Further announcement will be made by the Company as and when agreements are entered into for the repurchases or the issue of convertible note in compliance with the requirement of the Listing Rules. The Company will comply with all the requirements under the Listing Rules for the repurchases and the issue of the convertible notes.

DEFINITIONS

"associates"	has the meaning ascribed thereto in the Listing Rules;
"Argent"	Argent Holdings Limited, a company incorporated with limited liability in the British Virgin Islands;
"Argent-Silverlink Agreement"	the agreement dated 15 July 2003 and entered into between Argent and Silverlink relating to the repurchase of 5,000,000 Silverlink Shares by Silverlink for a cash consideration of US\$40,000,000;
"Closely Allied Group"	the group of shareholders of the Company comprising Parkway Panama Limited Inc and M&P Investments Ptd Ltd., wholly owned subsidiaries of Parkway Holdings Ltd, International Aviation Services Sdn Bhd, a wholly owned subsidiary of IGB Corporation Bhd, HK 1 Limited and TYMS Limited;
"Company"	Lee Hing Development Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange;
"Directors"	the directors of the Company;
"Group"	the Company and its subsidiaries;
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC;
"Noteholder"	Anchor Victory Limited, a company incorporated in the British Virgin Islands and is owned by various funds. It is the holder of the US\$79.5M Note. The Noteholder and its beneficial owners are independent of and not connected with the directors, the chief executives and the substantial shareholders of the Company or any of its subsidiaries and their respective associates;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"PRC"	The People's Republic of China;
"Participation"	the acquisition of 37.736% participation rights in the US\$79.5M Note by Argent pursuant to the Participation Agreement;
"Participation Agreement"	the agreement dated 15 July 2003 and entered into between the Noteholder and Argent for the participation of 37.736% interest in the US\$79.5M Note;
"Silverlink"	Silverlink Holdings Limited, a company incorporated with limited liability in the British Virgin Islands;
"Silverlink Repurchase"	the repurchase of 5,000,000 Silverlink Shares by Silverlink under the Argent-Silverlink Agreement;
"Silverlink Shares"	shares of US\$1.00 each in the capital of Silverlink;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"US\$79.5M Note"	the note in the principal amount of US\$79,500,000 issued by Silverlink to the Noteholder on 27 November 2002, the principal terms of which are set out in the paragraph headed "Terms of the US\$79.5M Note" in this announcement;
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong; and
"US\$"	United States dollars, the lawful currency of The United States of America.

In this announcement, US\$1.00 is taken to be equivalent to HK\$7.80

By order of the Board
Lee Hing Development Limited
Tan Boon Seng
 Chairman and Managing Director