



LAI SUN GARMENT
Lai Sun Garment (International) Limited
(Incorporated in Hong Kong with limited liability)

(Stock Code : 191)

**Discloseable Transaction
of Lai Sun Garment (International) Limited
to undertake to take up its entitlement
under the Rights Issue by Lai Fung Holdings Limited in full**

The Company and Silver Glory, a wholly-owned subsidiary of the Company, have irrevocably undertaken to Lai Fung and the Underwriter to take up their respective entitlements, representing a total of 530,137,606 new Shares in Lai Fung by way of rights issue at a price of HK\$0.10 per Rights Share on the basis of one Rights Share for every four Shares held on the Record Date. Each of the Company and Silver Glory has no present intention to apply for any excess Rights Shares.

The Directors believe that in view of the growth potential of Lai Fung, maintaining its shareholding interest in Lai Fung is in the best interest of the Company and the Shareholders as a whole. The Directors are of the view that the terms of the Rights Issue are fair and reasonable.

The acceptance of the Rights Shares by the Company and Silver Glory under the Rights Issue constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing further details of the taking up of the Rights Shares by the Company will be despatched to the Shareholders as soon as practicable.

Trading in the shares of the Company has been suspended with effect from 9:30 a.m., 3rd June, 2004 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption in the trading of the shares of the Company with effect from 9:30 a.m. on 8th June, 2004.

RIGHTS ISSUE

Reference is made to the Lai Fung Announcement.

The Company and Silver Glory, a wholly-owned subsidiary of the Company, have irrevocably undertaken on 31st May, 2004 to Lai Fung and the Underwriter to take up their respective entitlements, representing a total of 530,137,606 new Shares in Lai Fung under the Rights Issue at a price of HK\$0.10 per Rights Share on the basis of one Rights Share for every four Shares held on the Record Date. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save that (i) the Company and Silver Glory are substantial shareholders of Lai Fung; (ii) Lim Por Yen, Lam Kin Ngok, Peter, Lam Kin Ming, Chiu Wai, Shiu Kai Wah, Lee Po On, Lam Kin Hong, Matthew, U Po Chu are directors of both the Company and Lai Fung; and (iii) Lim Por Yen, U Po Chu and Lai Yuen Fong are interested in shares of both the Company and Lai Fung; Lai Fung is a third party independent of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Underwriter is a third party independent of the Company and connected persons of the Company.

Particulars of the Rights Issue are as follows:

Basis of Rights Issue	: one Rights Share for every four Shares held on the Record Date
Number of existing Shares in issue	: 4,698,365,183 Shares
Number of Rights Shares	: 1,174,591,295 Rights Shares, representing approximately 25% and 20% of the existing and enlarged issued share capital of Lai Fung respectively
Underwriter	: VC CEF Capital Limited, an independent third party not connected with the directors, chief executive or substantial shareholders of the Company or their respective subsidiaries or any of their respective associates
Date of the Underwriting Agreement	: 31st May, 2004

Conditions of the Rights Issue

The Rights Issue is conditional upon, amongst other things, each of the following events happening:

- (i) the delivery by or on behalf of Lai Fung one copy of each of the Prospectus, the provisional allotment letter and form of application for excess Rights Shares, duly signed by or on behalf of all directors of Lai Fung or their authorised agents together with any requisite accompanying documents to the Stock Exchange and the Registrar of Companies of Hong Kong for filing and registration in accordance with the provisions of the Companies Ordinance (Chapter 32, Laws of Hong Kong) not later than the date of despatch of the Prospectus;
- (ii) due performance by each of the Major Shareholders of his or its obligations under the undertaking letters executed by each of them;
- (iii) the posting of the Prospectus to the shareholders of Lai Fung and the posting of the provisional allotment letters and the application forms for excess Rights Shares to the shareholders of Lai Fung who qualify for the Rights Issue not later than the date of despatch of the Prospectus, or such later date as Lai Fung may (subject, if required, to the approval of the Stock Exchange) (with the agreement of the Underwriter) specify in writing to the Underwriter;
- (iv) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) listing of and permission to deal in, the Rights Shares, in their nil-paid and fully-paid forms, by not later than in the case of Rights Shares in nil-paid form, the first day of dealing of nil-paid Rights Shares and in the case of Rights Shares in fully-paid form, the first day of dealings in fully-paid Rights Shares; and
- (v) compliance by Lai Fung of its obligations under the Underwriting Agreement.

Lai Fung expected that all the above conditions will be fulfilled on or before 12th July, 2004. **If any of the conditions referred to above are not fulfilled or waived in whole or in part by the Underwriter on or before 5:00 p.m. Hong Kong time on 31st July, 2004 being the long stop date for fulfilment of the above conditions; or the Underwriting Agreement has been terminated in accordance with the terms thereof, then the Rights Issue will not proceed.**

SUBSCRIPTION PRICE

HK\$0.10 per Rights Share, payable in full when the Company and Silver Glory accepts the relevant provisional allotments of Rights Shares. According to the Lai Fung Announcement, the latest time for acceptance of and payment for Rights Shares is 4:00 p.m. on Thursday, 8th July, 2004, certificates for fully-paid Rights Shares are expected to be despatched by Lai Fung on Wednesday, 14th July, 2004 and dealings in the Rights Shares are expected to commence on Friday, 16th July, 2004. Such dates may be extended or varied by Lai Fung.

The subscription price of HK\$0.10 per Rights Share was determined with reference to recent closing prices of the Shares on the Stock Exchange and represents (i) a discount of approximately 57.4% to the closing price of HK\$0.235 per Share quoted on the Stock Exchange on 31st May, 2004 (the last trading day prior to the suspension of trading of Lai Fung pending announcement of the Rights Issue); (ii) a discount of approximately 51.9% to the theoretical ex-rights price of HK\$0.208 per Share based on that closing price per Share and (iii) a discount of approximately 52.8% to the average closing price of HK\$0.212 per Share for the last ten trading days prior to the date of the Lai Fung Announcement.

As at the date of this announcement, the Company and Silver Glory are together interested in 2,120,550,431 Shares, representing approximately 45.13% of the issued share capital of Lai Fung and each of them has on 31st May, 2004 irrevocably undertaken to take up its entitlement under the Rights Issue in full at the subscription price of HK\$0.10 per Rights Share. Each of the Company and Silver Glory has indicated that it has no present intention to apply for any excess Rights Shares. The aggregate consideration payable by the Company and Silver Glory for the Rights Shares is HK\$53,013,760.60. Such consideration shall be satisfied in cash and will be funded in the proportion of approximately 40% by internal resources of the Company and approximately 60% by existing credit facilities available to the Company.

Use of proceeds of the Rights Issue by Lai Fung

According to the Lai Fung Announcement, Lai Fung intends to use approximately 15% of the net proceeds from the Rights Issue, which is expected to be approximately HK\$117.46 million before expenses, to meet the capital contribution requirements of Lai Fung relating to property projects in Guangdong Province in the Mainland of China and the remaining 85% as additional working capital for Lai Fung.

Status of the Rights Shares

When fully paid, issued and allotted, the fully-paid Rights Shares will rank pari passu in all respects with the then existing Shares. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of issue and allotment of the fully-paid Rights Shares.

Assuming that (a) the Rights Issue proceeds and is completed and (b) the Major Shareholders have taken up their respective entitlements under the Rights Issue in full, the interests of the Major Shareholders in the issued share capital of Lai Fung immediately after completion of the Rights Issue will be as follows:

Major Shareholders and other shareholders of Lai Fung	(1) No. of Shares beneficially owned as at the date of this announcement and on the Record Date	(2) Percentage of shareholding before the Rights Issue	(3) No. of Rights Shares to be taken up	(4) No. of Shares owned on completion of the Rights Issue	(5) Percentage of shareholding after the Rights Issue
Lai Sun Garment (International) Limited	1,455,365,090	30.98%	363,841,272	1,819,206,362	30.98%
Silver Glory Securities Limited	665,185,341	14.16%	166,296,334	831,481,675	14.16%
Lim Por Yen (Note)	92,124,800	1.96%	23,031,200	115,156,000	1.96%
Public	2,485,689,952	52.90%	621,422,489	3,107,112,441	52.90%
Total:	4,698,365,183	100%	1,174,591,295	5,872,956,478	100%

Note: Mr. Lim Por Yen is a controlling shareholder of the Company and a shareholder of Lai Fung in his own right. Mr. Lim Por Yen is also an executive director of both the Company and Lai Fung. Mr. Lim Por Yen has also irrevocably undertaken to Lai Fung and the Underwriter to take up his entitlement, representing a total of 23,031,200 new Shares under the Rights Issue at a price of HK\$0.10 per Rights Share on the basis of one Rights Share for every four Shares held on the Record Date.

REASONS FOR THE TRANSACTION

The Company is the controlling shareholder of Lai Fung. The Directors consider that in view of the growth potential of Lai Fung, maintaining its shareholding interest in Lai Fung is in the best interest of the Company and the Shareholders as a whole. The Directors are of the view that the terms of the Rights Issue are fair and reasonable.

PRINCIPAL BUSINESS OF LAI FUNG

The principal activities of Lai Fung are property development for sale and property investment for rental purposes in the Mainland of China. The property portfolio of Lai Fung currently includes Hong Kong Plaza in Shanghai, Eastern Place in Guangzhou, and a number of development projects in progress or under planning in Guangzhou and Shanghai. Lai Fung reported an audited consolidated net profit from ordinary activities attributable to shareholders of approximately HK\$56.99 million for the year ended 31st July, 2003, equivalent to Hong Kong 1.41 cents per Share. As at 31st July, 2003, the audited consolidated net tangible assets of Lai Fung amounted to approximately HK\$5,630.66 million. As at 31st January, 2004, the unaudited consolidated net tangible assets of Lai Fung amounted to approximately HK\$5,311.72 million. The unaudited net tangible assets per Share is HK\$1.13 as at 31st January, 2004 and the unaudited net asset value per Share is HK\$1.13 as at 31st January, 2004. The unaudited consolidated net profit before and after taxation and minority interests of Lai Fung for the six months ended 31st January, 2004 amounted to approximately HK\$66.26 million and HK\$50.07 million respectively. The audited consolidated net loss before taxation and minority interests of Lai Fung amounted to HK\$89.47 million for the year ended 31st July, 2002 and the audited consolidated net profit before taxation and minority interests of Lai Fung amounted to HK\$62.92 million for the year ended 31st July, 2003. The audited consolidated net loss after taxation and minority interests of Lai Fung amounted to HK\$93.98 million for the year ended 31st July, 2002 and the audited consolidated net profit after taxation and minority interests of Lai Fung amounted to HK\$56.99 million for the year ended 31st July, 2003.

PRINCIPAL BUSINESS OF THE COMPANY

The Company is a holding company and its principal investments comprise its shareholding interests in Lai Sun Development Company Limited, Lai Fung and Crocodile Garments Limited whose shares are listed on the Stock Exchange. The audited consolidated net loss before taxation and minority interests of the Company amounted to HK\$1,162.6 million and HK\$24.6 million for the years ended 31st July, 2002 and 2003 respectively. The audited net loss after taxation and minority interests of the Company amounted to HK\$1,200.3 million and HK\$31.07 million for the years ended 31st July, 2002 and 2003 respectively.

The Company together with its subsidiary, Silver Glory are interested in approximately 45.13% of the issued share capital of Lai Fung. The acceptance of the Rights Shares by the Company and Silver Glory under the Rights Issue constitutes a discloseable transaction for the Company under the Listing Rules.

Pursuant to the Hong Kong Statements of Standard Accounting Practice, Lai Fung is an associate of the Company and is accounted for as such in accordance with all applicable Hong Kong Statements of Standard Accounting Practice from time to time. Since there will be no change in the percentage shareholding interest of the Company in Lai Fung, there will be no change in the accounting treatment in the Company's accounts after the Rights Issue. A circular containing further details of the transaction for the Company to take up its rights entitlement under the Rights Issue will be despatched to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

Pending the release of this announcement, the trading of the Company's securities was suspended with effect from 9:30 a.m. on 3rd June, 2004 at the request of the Company and an application has been made for the resumption of trading with effect from 9:30 a.m. on 8th June, 2004.

DEFINITIONS USED IN THIS ANNOUNCEMENT

"Company"	Lai Sun Garment (International) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"Directors"	the directors of the Company
"HK\$"	Hong Kong dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Lai Fung"	Lai Fung Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
"Lai Fung Announcement"	the announcement by Lai Fung dated 3rd June, 2004 on the Rights Issue
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Major Shareholders"	the Company, Silver Glory (a wholly-owned subsidiary of the former) and Mr. Lim Por Yen who are beneficially interested in approximately 30.98%, 14.16% and 1.96% of the issued share capital of Lai Fung respectively
"Prospectus"	the prospectus to be issued by Lai Fung in relation to the Rights Issue
"Record Date"	23rd June, 2004, the record date by which entitlements to the Rights Issue will be determined
"Rights Issue"	the issue by Lai Fung of 1,174,591,295 Rights Shares at a price of HK\$0.10 per Rights Share
"Rights Shares"	1,174,591,295 new Shares to be issued under the Rights Issue
"Shares"	share(s) of HK\$0.10 each in the existing capital of Lai Fung
"Shareholder(s)"	shareholders of the Company
"Silver Glory"	Silver Glory Securities Limited, a wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Underwriter"	VC CEF Capital Limited
"Underwriting Agreement"	the underwriting agreement dated 31st May, 2004 and entered into between Lai Fung and the Underwriter in relation to the Rights Issue

By order of the Board
LAI SUN GARMENT (INTERNATIONAL) LIMITED
Yeung Kam Hoi
Company Secretary

Hong Kong, 7th June, 2004

As at the date hereof, the executive directors of the Company are Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Mr. Shiu Kai Wah, Mr. Lee Po On and Mr. Lam Kin Hong, Matthew, the non-executive directors are Madam U Po Chu, Mr. Chiu Wai, Madam Lai Yuen Fong and Miss Lam Wai Kei, Vicky (alternate director to Madam Lai Yuen Fong) and the independent non-executive directors are Mr. Wan Yee Hwa, Edward and Mr. Leung Shu Yin, William.