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L A I S U N G A R M E N T
Lai Sun Garment (International) Limited
(Incorporated in Hong Kong with limited liability)

(Stock Code: 191)

DISCLOSEABLE TRANSACTION

**UNDERTAKING TO TAKE UP RIGHTS SHARES ENTITLEMENTS
UNDER THE RIGHTS ISSUE BY LAI FUNG HOLDINGS LIMITED IN FULL**

A letter from the board of directors of the Company is set out on pages 3 to 8 of this circular.

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DEFINITIONS

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

“Announcement”	the announcement dated 7th June, 2004 issued by the Company in connection with the Discloseable Transaction
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System, established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“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
“Director(s)”	the director(s) of the Company
“Discloseable Transaction”	the transaction of the Company and Silver Glory to take up their entitlements under the Rights Issue pursuant to their undertakings to Lai Fung and the Underwriter
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“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
“Lai Fung Major Shareholders”	the Company, Silver Glory 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 as at the Latest Practicable Date
“Lai Fung Share(s)”	share(s) of HK\$0.10 each in the existing capital of Lai Fung
“Latest Practicable Date”	23rd June, 2004, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information of this circular
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mainland”	the mainland of the People’s Republic of China

DEFINITIONS

“Prospectus”	the prospectus dated 23rd June, 2004 issued by Lai Fung in relation to the Rights Issue
“Record Date”	23rd June, 2004, the record date by reference to which entitlements to the Rights Issue are determined
“Rights Issue”	the issue by Lai Fung of the Rights Shares at a price of HK\$0.10 per Rights Share on the basis of one Rights Share for every four Lai Fung Shares held on the Record Date
“Rights Shares”	1,174,591,295 new Lai Fung Shares to be issued to the holders of Lai Fung Shares on the Record Date pursuant to the Rights Issue
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company
“Shares”	ordinary shares of HK\$0.50 each in the ordinary share capital 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 Capital Limited (previously known as VC CEF Capital Limited)
“Underwriting Agreement”	the underwriting agreement dated 31st May, 2004 entered into between Lai Fung and the Underwriter in relation to the Rights Issue
“HK\$” and “cents”	Hong Kong dollar(s) and Hong Kong cent(s) respectively, the lawful currency of Hong Kong

LETTER FROM THE BOARD



LAI SUN GARMENT

Lai Sun Garment (International) Limited

(Incorporated in Hong Kong with limited liability)

Directors:

Lim Por Yen (*Chairman and Managing Director*)
Lam Kin Ngok, Peter (*Deputy Chairman*)
Lam Kin Ming (*Deputy Chairman*)
Shiu Kai Wah
Lee Po On
Lam Kin Hong, Matthew
U Po Chu
Chiu Wai
Lai Yuen Fong
Lam Wai Kei, Vicky[#]
Wan Yee Hwa, Edward*
Leung Shu Yin, William*

Registered Office:

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

[#] *Alternate director to Madam Lai Yuen Fong*

* *Independent Non-executive Director*

28th June, 2004

To the Shareholders

Dear Sir/Madam,

DISCLOSEABLE TRANSACTION

UNDERTAKING TO TAKE UP RIGHTS SHARES ENTITLEMENTS UNDER THE RIGHTS ISSUE BY LAI FUNG HOLDINGS LIMITED IN FULL

INTRODUCTION

On 8th June, 2004, the Directors announced that the Company and Silver Glory have irrevocably undertaken on 31st May, 2004 to Lai Fung and the Underwriter to take up their respective entitlements under the Rights Issue, representing a total of 530,137,606 new Lai Fung Shares 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 Lai Fung Shares held on the Record Date.

The purpose of this circular is to give you further information regarding the undertakings given by the Company and Silver Glory referred to above, including information on the Rights Issue, and certain financial and other information in respect of the Group.

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THE RIGHTS ISSUE

Reference is also made to the Lai Fung Announcement.

The Company and Silver Glory have irrevocably undertaken to Lai Fung and the Underwriter to take up their respective entitlements representing a total of 530,137,606 new Lai Fung 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 Lai Fung 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) Messrs. Lim Por Yen, Lam Kin Ngok, Peter, Lam Kin Ming, Chiu Wai, Shiu Kai Wah, Lee Po On, Lam Kin Hong, Matthew and Madam U Po Chu are directors of both the Company and Lai Fung; and (iii) Mr. Lim Por Yen, Madam U Po Chu and Madam 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 Lai Fung Shares held on the Record Date
Number of Shares in issue on the Record Date	:	4,698,365,183 Lai Fung 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
Subscription price for the Rights Shares	:	HK\$0.10 each
Underwriter	:	VC Capital Limited, an independent third party not connected with the Directors, chief executive or substantial shareholders of the Company or its 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 not later than the date of despatch of the Prospectus;
- (ii) due performance by each of the Lai Fung Major Shareholders of his or its obligations under the undertaking letters executed by each of them;

LETTER FROM THE BOARD

- (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 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 Issue. 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 Lai Fung Shares on the Stock Exchange and represents (i) a discount of approximately 57.4% to the closing price of HK\$0.235 per Lai Fung 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 Lai Fung Share based on that closing price per Lai Fung Share; (iii) a discount of approximately 52.8% to the average closing price of HK\$0.212 per Lai Fung Share for the last ten trading days prior to the date of the Lai Fung Announcement; (iv) a discount of approximately 37.5% to the closing price of HK\$0.160 per Lai Fung Share as at the Latest Practicable Date; and (v) a discount of approximately 35.5% to the average closing price of HK\$0.155 per Lai Fung Share for the last ten trading days prior to the Latest Practicable Date.

As at the date of the Announcement, the Company and Silver Glory are together interested in 2,120,550,431 Lai Fung 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 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. The Directors consider that the Discloseable Transaction will not have any immediate material impact on either the

LETTER FROM THE BOARD

earnings or the net assets and liabilities of the Group. As the shareholding percentage of the Company in Lai Fung remains unchanged before and after the Rights Issue, there is no effect on the earnings and the net assets and liabilities of the Group.

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 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 Lai Fung 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 Lai Fung Major Shareholders have taken up their respective entitlements under the Rights Issue in full, the interests of the Lai Fung Major Shareholders in the issued share capital of Lai Fung immediately after completion of the Rights Issue will be as follows:

	(1)	(2)	(3)	(4)	(5)	(6)
	No. of Lai Fung Shares beneficially owned as at the date of the Lai Fung Announcement and on the Record Date	Percentage of shareholding before the Rights Issue	No. of Rights Shares to be taken up	No. of Lai Fung Shares owned on completion of the Rights Issue	No. of Lai Fung Shares owned on completion of the Rights Issue assuming that none of the public shareholders of Lai Fung will take up their entitlements and the Underwriter honours its underwriting commitment	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	1,819,206,362	30.98%
Silver Glory Securities Limited	665,185,341	14.16%	166,296,334	831,481,675	831,481,675	14.16%
Lim Por Yen (Note)	92,124,800	1.96%	23,031,200	115,156,000	115,156,000	1.96%
Underwriter	0	0	0	0	621,422,489	10.58%
Public	<u>2,485,689,952</u>	<u>52.90%</u>	<u>621,422,489</u>	<u>3,107,112,441</u>	<u>2,485,689,952</u>	<u>42.32%</u>
Total:	<u><u>4,698,365,183</u></u>	<u><u>100%</u></u>	<u><u>1,174,591,295</u></u>	<u><u>5,872,956,478</u></u>	<u><u>5,872,956,478</u></u>	<u><u>100%</u></u>

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 Lai Fung 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 Lai Fung Shares held on the Record Date. Mr. Lim Por Yen has no intention to apply for any excess Rights Shares.

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REASONS FOR THE TRANSACTION

The Company is the controlling shareholder of Lai Fung. The Directors consider that in view of the strong economic growth in the Mainland, particularly in Shanghai, Guangzhou and the Pearl River delta, and the experience of Lai Fung in property development in the Mainland and its existing portfolio of quality projects, maintaining the shareholding interest of the Company 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 THE UNDERWRITER

The principal activities of the Underwriter are the provision of corporate finance advisory services and securities dealing.

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. 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 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. 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 improvements in the results of Lai Fung in recent years were attributable mainly to (i) the reduction of finance costs of the Lai Fung group as a result of the restructuring of the Lai Fung group's borrowings; (ii) the reduction of share of losses of associates and jointly-controlled entities; and (iii) the increase in the tenancy ratio of the Lai Fung group's flagship property, Hong Kong Plaza in Shanghai in the Mainland.

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.

As 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.

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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.

LISTING AND DEALINGS

Lai Fung has made an application to the Listing Committee for the listing of, and permission to deal in, the Rights Shares and will make all necessary arrangements to enable the Rights Shares to be admitted into CCASS.

Dealings in the Rights Shares are subject to payment of stamp duty in Hong Kong.

FURTHER INFORMATION

Your attention is drawn to the further information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board of
Lai Sun Garment (International) Limited
Lim Por Yen
Chairman and Managing Director

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. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following share of the Company and of its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange:

(1) The Company

Name of Director	Personal Interests	Family Interests	Long positions in the shares		Total	Percentage
			Corporate Interests	Capacity		
Lim Por Yen	484,991,750	3,669,000 <i>(Note 1)</i>	Nil	Beneficial owner	488,660,750	33.99%
Lam Kin Ngok, Peter	110,794,951	Nil	Nil	Beneficial owner	110,794,951	7.71%
Lam Kin Ming	4,451,790	Nil	Nil	Beneficial owner	4,451,790	0.31%
U Po Chu	3,669,000	484,991,750 <i>(Note 2)</i>	Nil	Beneficial owner	488,660,750	33.99%
Chiu Wai	199,600	Nil	Nil	Beneficial owner	199,600	0.01%
Lai Yuen Fong	Nil	488,660,750 <i>(Note 3)</i>	Nil	Beneficial owner	488,660,750	33.99%

Notes:

- Mr. Lim Por Yen was deemed to be interested in 3,669,000 shares by virtue of the interest in such shares of his spouse, Madam U Po Chu.
- Madam U Po Chu was deemed to be interested in 484,991,750 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
- Madam Lai Yuen Fong was deemed to be interested in 488,660,750 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

(2) Associated Corporations

(a) *Lai Sun Development Company Limited (“LSD”)*

Name of Director	Personal Interests	Long positions in shares of LSD			Total	Percentage
		Family Interests	Corporate Interests	Capacity		
Lim Por Yen	197,859,550	633,400 <i>(Note 1)</i>	1,582,869,192 <i>(Note 2)</i>	Beneficial owner	1,781,362,142	47.55%
Lam Kin Ngok, Peter	10,099,585	Nil	Nil	Beneficial owner	10,099,585	0.27%
U Po Chu	633,400	1,780,728,742 <i>(Note 3)</i>	Nil	Beneficial owner	1,781,362,142	47.55%
Chiu Wai	195,500	Nil	Nil	Beneficial owner	195,500	0.01%
Lai Yuen Fong	Nil	1,781,362,142 <i>(Note 4)</i>	Nil	Beneficial owner	1,781,362,142	47.55%
Lam Wai Kei, Vicky	100,000	Nil	Nil	Beneficial owner	100,000	0.0027%

Notes:

1. Mr. Lim Por Yen was deemed to be interested in 633,400 shares in LSD by virtue of the interest in such shares of his spouse, Madam U Po Chu.
2. The Company and its wholly-owned subsidiary beneficially owned 1,582,869,192 ordinary shares in LSD. Mr. Lim Por Yen was deemed to be interested in such shares in LSD by virtue of his interest (including that of his spouse) of approximately 33.99% in the issued share capital of the Company. 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 the Company and held an interest of approximately 42% in aggregate in the issued share capital of the Company.
3. Madam U Po Chu was deemed to be interested in 1,780,728,742 shares in LSD by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
4. Madam Lai Yuen Fong was deemed to be interested in 1,781,362,142 shares in LSD by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

(b) *eSun Holdings Limited (“eSun”)*

Name of Director	Personal Interests	Family Interests	Long positions in shares of eSun		Total	Percentage
			Corporate Interests	Capacity		
Lim Por Yen	Nil	Nil	285,512,791 (Note 1)	Beneficial owner	285,512,791	42.54%
Lee Po On	5,195,934	Nil	Nil	Beneficial owner	5,195,934	0.77%
U Po Chu	Nil	285,512,791 (Note 2)	Nil	Beneficial owner	285,512,791	42.54%
Lai Yuen Fong	Nil	285,512,791 (Note 3)	Nil	Beneficial owner	285,512,791	42.54%

Notes:

- eSun is an associated corporation of the Company as LSD and its wholly-owned subsidiaries beneficially owned 285,512,791 shares in eSun. The Company and its wholly-owned subsidiary held an interest of approximately 42.25% in the issued ordinary share capital of LSD. Mr. Lim Por Yen was deemed to be interested in such shares in eSun by virtue of his interest (including that of his spouse) of approximately 33.99% in the issued share capital of the Company. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong are Directors and held an interest of approximately 42% in aggregate in the issued share capital of the Company.
- Madam U Po Chu was deemed to be interested in 285,512,791 shares in eSun by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
- Madam Lai Yuen Fong was deemed to be interested in 285,512,791 shares in eSun by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

(c) *Lai Fung*

Name of Director	Personal Interests	Family Interests	Long positions in shares of Lai Fung		Total	Percentage
			Corporate Interests	Capacity		
Lim Por Yen	92,124,800	Nil	2,120,550,431 (Note 1)	Beneficial owner	2,212,675,231	47.09%
U Po Chu	Nil	2,212,675,231 (Note 2)	Nil	Beneficial owner	2,212,675,231	47.09%
Lai Yuen Fong	Nil	2,212,675,231 (Note 3)	Nil	Beneficial owner	2,212,675,231	47.09%

Notes:

- The Company and its wholly-owned subsidiary beneficially owned 2,120,550,431 shares in Lai Fung. Mr. Lim Por Yen was deemed to be interested in such shares in Lai Fung by virtue of his interest (including that of his spouse) of approximately 33.99% in the issued share capital of the Company. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong are Directors and held an interest of approximately 42% in aggregate in the issued share capital of the Company.

2. Madam U Po Chu was deemed to be interested in 2,212,675,231 shares in Lai Fung by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
3. Madam Lai Yuen Fong was deemed to be interested in 2,212,675,231 shares in Lai Fung by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

(d) *Crocodile Garments Limited (“CGL”)*

Name of Director	Personal Interests	Family Interests	Long positions in shares of CGL		Total	Percentage
			Corporate Interests	Capacity		
Lim Por Yen	Nil	Nil	338,982,809 <i>(Note 1)</i>	Beneficial owner	338,982,809	54.93%
Lee Po On	280,000	Nil	Nil	Beneficial owner	280,000	0.045%
U Po Chu	Nil	338,982,809 <i>(Note 2)</i>	Nil	Beneficial owner	338,982,809	54.93%
Lai Yuen Fong	Nil	338,982,809 <i>(Note 3)</i>	Nil	Beneficial owner	338,982,809	54.93%

Notes:

1. The Company and its wholly-owned subsidiary beneficially owned 338,982,809 shares in CGL. Mr. Lim Por Yen was deemed to be interested in such shares in CGL by virtue of his interest (including that of his spouse) of approximately 33.99% in the issued share capital of the Company. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong are Directors and held an interest of approximately 42% in aggregate in the issued share capital of the Company.
2. Madam U Po Chu was deemed to be interested in 338,982,809 shares in CGL by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
3. Madam Lai Yuen Fong was deemed to be interested in 338,982,809 shares in CGL by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company 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 the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

So far as is known to the Directors, as at the Latest Practicable Date, the following persons, some of whom are Directors or chief executive of the Company, had an interest in the following Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity	Long positions in the Shares		Percentage
		Nature (Note 1)	Number of Shares	
Lim Por Yen	Beneficial owner	Personal and Family	488,660,750	33.99% (Note 2)
Lam Kin Ngok, Peter	Beneficial owner	Personal	110,794,951	7.71% (Note 3)
U Po Chu	Beneficial owner	Personal and Family	488,660,750	33.99% (Note 4)
Lai Yuen Fong	Beneficial owner	Family	488,660,750	33.99% (Note 5)
Far East Consortium International Limited	Beneficial owner	Corporate	108,697,000	7.56% (Note 3)

Notes:

1. Personal, family and corporate denote personal interest, family interest and corporate interest, respectively.
2. Mr. Lim Por Yen was deemed to be interested in 3,669,000 shares by virtue of the interest in such shares of his spouse, Madam U Po Chu.
3. Persons falling into the category of "Other Persons" in Practice Note 5 to the Listing Rules.
4. Madam U Po Chu was deemed to be interested in 484,991,750 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
5. Madam Lai Yuen Fong was deemed to be interested in 488,660,750 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

Save as disclosed in this circular, the Directors are not aware of any person as at the Latest Practicable Date who had an interest or short position in the shares or underlying shares of 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 the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any options in respect of such capital.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Messrs. Lim Por Yen, Lam Kin Ming, Lam Kin Ngok, Peter, Lam Kin Hong, Matthew, Wan Yee Hwa, Edward and Madam U Po Chu held shareholding interests and/or directorships in a number of private companies engaged in property development and investment in Shanghai in the Mainland.

Messrs. Lim Por Yen, Lam Kin Ming, Lam Kin Ngok, Peter, Lam Kin Hong, Matthew and Madam U Po Chu also held shareholding interests and/or directorships in a number of private companies engaged in property development and investment in Hong Kong.

Messrs. Lim Por Yen, Lam Kin Ming, Lam Kin Ngok, Peter, Shiu Kai Wah and Madam U Po Chu held shareholding interests and/or directorships in a number of private companies engaged in the spinning and knitting businesses in the Mainland and in Hong Kong.

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

The Directors referred to above have no present intention to inject the businesses referred to in this section into the Group. The Directors estimate that the aggregate net asset value of these businesses (excluding those in which the relevant Directors are only interested as directors of the company concerned and do not hold any shareholding interest) does not exceed 15% of the net asset value of the Group as at 31st January, 2004. The Directors are of the view that such businesses are of a size that will not have any significant impact on the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or other proceedings of material importance and, so far as the Directors are aware, no litigation or claims of material importance were pending or threatened by or against any member of the Group.

7. GENERAL

- (a) The secretary of the Company is Mr. Yeung Kam Hoi, who is an Associate Member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries and a member of Hong Kong Securities Institute.
- (b) The Registrar of the Company is Tengis Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong whose address is the address of the transfer office of the Company.
- (c) The English text of this circular shall prevail over the Chinese text.