



LAI SUN GARMENT

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

(Stock Code: 191)

GENERAL DISCLOSURE ANNOUNCEMENT

The Directors are informed that, on 15th September, 2004, LSD and eSun have despatched to their respective shareholders each of their circulars concerning, inter alia, the Settlement. The Directors understand that the anticipated long stop date for completion of the Settlement to take place not later than 1st November, 2004 has been changed to 1st November, 2004 or such other date as the parties shall agree in writing pursuant to a supplemental agreement dated 31st August, 2004 entered into between, inter alia, LSD and eSun.

Shareholders will recall from the Announcement that an element of the Settlement will involve the proposed allotment and issue of new ordinary shares in LSD which, if Completion occurs, will result in a dilution of LSG's interest in LSD from approximately 42.25% to approximately 12.42% which will constitute a deemed disposal by LSG of its interest in LSD. On the basis of the pro forma consolidated net assets of LSD upon Completion of approximately HK\$2,273.1 million, as set out in detail in LSD's published Circular, LSG's share of LSD's consolidated net assets is estimated to increase by and to approximately HK\$282.3 million. After taking into account the various reserves to be released to the consolidated profit and loss account of LSG of approximately HK\$2,013.2 million, LSG's gain on the deemed disposal of its equity interest in LSD is estimated to amount to approximately HK\$2,295.5 million.

Shareholders are reminded that Completion of the Settlement is subject to a number of conditions that may or may not be fulfilled. Completion may therefore ultimately not materialise and the Settlement may not proceed as envisaged by LSD and eSun.

Shareholders and other investors of LSG are advised to exercise caution when dealing in the shares of LSG.

This announcement is made under the general disclosure requirements under Rule 13.09 of the Listing Rules.

INTRODUCTION

The Directors are informed that, on 15th September, 2004, LSD and eSun have despatched to their respective shareholders each of their circulars concerning, inter alia, the Settlement. The Directors understand that the anticipated long stop date for completion of the Settlement ("Completion") to take place not later than 1st November, 2004 has been changed to 1st November, 2004 or such other date as the parties shall agree in writing pursuant to the supplemental agreement dated 31st August, 2004 entered into between, inter alia, LSD and eSun.

Reference is made to LSG's announcement dated 2nd July, 2004 setting out brief details of the transactions contemplated in the Settlement (the "Announcement"). Capitalised terms used herein and not defined shall have the same meaning as ascribed thereto in the Announcement.

As set out in the Announcement, a further announcement detailing the impact of the Settlement on LSG was anticipated to be released as soon as practicable upon the implementation and completion of the transactions set out in the Settlement pursuant to Rule 13.09 of the Listing Rules. However, given the scale of the estimated impact on LSG as set out below, this announcement is made by LSG under the general disclosure requirements under Rule 13.09 of the Listing Rules, commonly known in Hong Kong as a "paragraph 2 announcement" earlier than was previously anticipated by the Directors.

FINANCIAL IMPACT OF THE SETTLEMENT ON LSG

Shareholders of LSG ("Shareholders") will recall from the Announcement that an element of the Settlement will involve the proposed allotment and issue of new ordinary shares in LSD which, if Completion occurs, will result in a dilution of LSG's interest in LSD from approximately 42.25% to approximately 12.42%. Such dilution will constitute a deemed disposal of LSG's interest in LSD.

As a result of the financial difficulties faced by LSD in recent times, LSG's share of LSD's consolidated net assets as at 31st July, 2003, being the latest financial year end date, and 31st January, 2004, being the latest six months interim period end date, has been stated at nil in LSG's consolidated balance sheet as at such dates. On the basis of the pro forma consolidated net assets of LSD upon Completion of approximately HK\$2,273.1 million, as set out in detail in LSD's published circular dated 15th September, 2004 relating to, inter alia, the Settlement (the "Circular"), LSG's share of LSD's consolidated net assets is estimated to increase by and to approximately HK\$282.3 million. After taking into account the various reserves to be released to the consolidated profit and loss account of LSG in the amount of approximately HK\$2,013.2 million, LSG's gain on the deemed disposal of its equity interest in LSD is estimated to amount to approximately HK\$2,295.5 million. In addition, an amount of consolidated capital reserve of LSG of approximately HK\$358.3 million, which was previously transferred from LSG's consolidated retained earnings to its consolidated capital reserve upon the redemption by LSD of its preference shares in the prior year, will, upon Completion, be transferred back to LSG's consolidated retained earnings. After Completion, the remaining equity interest in LSD held by LSG will be treated as a long term investment in LSG's consolidated financial statements.

The estimated gain on such deemed disposal by LSG is calculated based on the pro forma consolidated net assets of LSD as detailed in the Circular. Accordingly, the actual amount to be recognised in LSG's consolidated profit and loss account will have to be recalculated based on the actual consolidated net assets of LSD as at or about the date of Completion and is expected to be different from the amount as disclosed above.

Shareholders are reminded that, as set out in the Announcement, the implementation and completion of the transactions contemplated in the Settlement are dependent on a number of conditions which includes, inter alia:

- (i) the respective shareholders of eSun and LSD approving the terms of the Settlement;
- (ii) the Bondholders approving the terms of the Bonds Settlement in respect of LSD's indebtedness under the Bonds; and
- (iii) any and all other consents, permits, approvals, authorisations and waivers necessary or appropriate for the entering into and consummation of the transactions contemplated by the Settlement having been obtained.

Completion of the Settlement Agreement in respect of eSun will be conditional upon the conditions to completion of the Bonds Settlement having been fulfilled and vice versa. Shareholders are also reminded that the Bonds Settlement has yet to be formally approved by the Bondholders, and may ultimately not materialise. Accordingly, the conditions to Completion may not be fulfilled and the Settlement may not proceed as envisaged by LSD and eSun.

Shareholders and other investors of LSG are reminded to exercise caution when dealing in the shares of LSG.

By Order of the Board
Lai Sun Garment (International) Limited
Yeung Kam Hoi
Company Secretary

Hong Kong, 16th September, 2004

As at the date hereof, the executive directors of LSG 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.