



LAI SUN GARMENT

Lai Sun Garment (International) Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 191)

PROPOSED ADJUSTMENT OF THE NOMINAL VALUE OF THE SHARES OF THE COMPANY BY WAY OF CAPITAL REDUCTION

The Board intends to put forward a proposal to the Shareholders for the adjustment of the nominal value of the Shares, by cancelling paid up capital of the Company to the extent of HK\$0.49 on each of the issued Shares and by reducing the nominal value of all the issued and unissued Shares from HK\$0.50 to HK\$0.01 per Share. On the basis of the 1,617,423,423 Shares currently in issue, a credit of HK\$792,537,477.27 will arise as a result of the Adjustment Proposal which will, in its entirety, be credited to the share premium account of the Company.

The Adjustment Proposal is subject to the conditions contained in the section headed "Conditions" below.

A circular containing details of the Adjustment Proposal, arrangements for free exchange of certificates for the New Shares and a notice convening an extraordinary general meeting of the Company to approve the Adjustment Proposal will be despatched to the Shareholders in due course.

ADJUSTMENT PROPOSAL

Since the Company announced, on 18th May, 2005, its plans to effect a rights issue (which closed on 4th July, 2005, as announced on 5th July, 2005), the Shares have generally traded at prices below the nominal value of a Share, being HK\$0.50. Since 19th May, 2005, prices have ranged from a low of HK\$0.425 to a high of HK\$0.50. The closing price of a Share on 29th July, 2005 was HK\$0.45. Under the Companies Ordinance, the Company, being a company incorporated in Hong Kong, may not issue Shares at a discount to their nominal value unless, amongst other things, such issue is authorised by a resolution of the Shareholders and is sanctioned by the Court.

The Board intends to put forward a proposal to the Shareholders for the adjustment of the nominal value of the Shares, by cancelling paid up capital of the Company to the extent of HK\$0.49 on each of the issued Shares and by reducing the nominal value of all the issued and unissued Shares from HK\$0.50 to HK\$0.01 per Share. The Adjustment Proposal, once effective, would facilitate future capital raising by the Company whenever suitable opportunities arise, without the need for the Company to comply, in circumstances where the issue price was proposed to be below the nominal value, with the cumbersome statutory procedures applicable in such circumstances. The Board therefore considers the Adjustment Proposal to be in the best interest of the Company and the Shareholders as a whole. At present, no arrangement for the issue of any New Shares has been entered into by the Company with any party nor is any such arrangement proposed.

EFFECTS

The existing authorised share capital of the Company is HK\$2,000,000,000 divided into 4,000,000,000 Shares of HK\$0.50 each, of which 1,617,423,423 Shares have been issued and are credited as fully paid up. On the basis of the 1,617,423,423 Shares currently in issue, a credit of HK\$792,537,477.27 will arise as a result of the Adjustment Proposal which will be credited, in its entirety, to the share premium account of the Company.

Upon the Adjustment Proposal becoming effective, and assuming no further Shares are issued in the meantime, the authorised share capital of the Company will be HK\$40,000,000 divided into 4,000,000,000 New Shares, of which 1,617,423,423 New Shares will be in issue and credited as fully paid up.

As at the date of the announcement, the Company has no outstanding options, warrants or similar rights to subscribe or purchase Shares. Other than the expenses incurred in relation to the Adjustment Proposal, the implementation of the Adjustment Proposal will not, in itself, alter the underlying assets, business operations, management or financial position of the Group or affect the proportionate interests of the Shareholders. The Board believes that the Adjustment Proposal will not have any adverse effect on the financial position of the Group. No capital will be lost as a result of the Adjustment Proposal and, except for the expenses involved in relation to the Adjustment Proposal which are expected to be insignificant in the context of the net asset value of the Company, the net asset value of the Group will remain unchanged before and after the Adjustment Proposal becoming effective. The Adjustment Proposal does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid up capital of the Company. The Adjustment Proposal will not result in any change in the relative rights of the Shareholders.

CONDITIONS

The Adjustment Proposal is conditional on the fulfillment of the following:

- the passing of a special resolution by the Shareholders to approve the Adjustment Proposal at an extraordinary general meeting to be convened by the Company;
- the registration by the Registrar of Companies in Hong Kong of a copy of resolution passed by the Shareholders, a copy of a minute containing the particulars required under section 61A of the Companies Ordinance and a statement in the prescribed form signed by an officer of the Company certifying that the relevant conditions under the Companies Ordinance have been satisfied; and
- the Stock Exchange granting the listing of, and permission to deal in, the New Shares in issue arising from the Adjustment Proposal.

If these conditions are fulfilled, the Adjustment Proposal will become effective immediately following the registration of the minute required under section 61A of the Companies Ordinance, which is currently expected to be on or around 29th August, 2005.

Application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the New Shares in issue arising from the Adjustment Proposal.

FREE EXCHANGE OF CERTIFICATES FOR SHARES

Shareholders may submit existing certificates for the Shares (in yellow colour) to the share registrar of the Company, Tengis Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for exchange, at the expense of the Company up to one month from the effective date of the Adjustment Proposal, which is expected to be on or around 29th August, 2005, for certificates for the New Shares (in pink colour). Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange). Certificates for the existing shares will continue to be good evidence of legal title and may be exchanged for certificates for the New Shares at any time, and are valid for trading, settlement and registration on the basis of one Share for one New Share.

Subject to the granting of listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock

Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

EXPECTED TIMETABLE IN RELATION TO THE ADJUSTMENT PROPOSAL

The expected timetable of the Adjustment Proposal is as follows:

	2005
Latest time for lodging of proxies	10:00 a.m. on Wednesday, 24th August
Extraordinary general meeting	10:00 a.m. on Friday, 26th August
Effective date of Adjustment Proposal	Monday, 29th August
Commencement of trading in the New Shares	9:30 a.m. on Monday, 29th August
First day for free exchange of certificates for Shares into new certificates for New Shares	Monday, 29th August
Last day for free exchange of certificates for Shares into new certificates for New Shares	Wednesday, 28th September

A further announcement will be made to inform the Shareholders should there be any change to the expected timetable in relation to the Adjustment Proposal.

GENERAL

A circular containing details of the Adjustment Proposal, arrangements for free exchange of certificates for the New Shares upon the Adjustment Proposal becoming effective and a notice convening an extraordinary general meeting of the Company to approve the Adjustment Proposal will be despatched to the Shareholders. To the best knowledge, information and belief of the Directors, none of the Shareholders or their associates has any interest in the Adjustment Proposal which is different from that of any other Shareholders of the Company. Accordingly, none of the Shareholders is required to abstain from voting at the EGM.

DEFINITIONS

"Adjustment Proposal"	the proposal for the adjustment of the nominal value of the Shares by cancelling paid up capital to the extent of HK\$0.49 on each of the issued Shares and by reducing the nominal value of all issued and unissued Shares from HK\$0.50 to HK\$0.01 per Share;
"Board"	board of directors of the Company;
"CCASS"	The Central Clearing and Settlement System established and operated by HKSCC;
"Companies Ordinance"	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;
"Court"	the High Court of Hong Kong;
"Directors"	the directors of the Company;
"Group"	the Company and its subsidiaries;
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"HKSCC"	Hong Kong Securities Clearing Company Limited;
"New Shares"	shares of HK\$0.01 each in the share capital of the Company upon the Adjustment Proposal becoming effective;
"Shareholders"	holders of Shares;
"Shares"	shares of HK\$0.50 each in the existing share capital of the Company; and
"Stock Exchange"	the Stock Exchange of Hong Kong Limited.

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

Hong Kong, 29th July, 2005

As at the date of this announcement, the executive Directors are Mr. Lam Kin Ming, Mr. Lam Kin Ngok, Peter, 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, Mr. Leung Shu Yin, William and Mr. Chow Bing Chiu.