



# LAI FUNG HOLDINGS

Lai Fung Holdings Limited  
(Incorporated in the Cayman Islands with limited liability)

## RIGHTS ISSUE IN THE PROPORTION OF ONE RIGHTS SHARE FOR EVERY FOUR SHARES HELD AT HK\$0.10 PER RIGHTS SHARE AND RESUMPTION OF TRADING

Underwriter



### THE RIGHTS ISSUE

The Company proposes to raise approximately HK\$76.77 million, before expenses, by issuing not less than 767,706,730 new 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 Shares held on the Record Date. The Company will provisionally allot one Rights Share for every four Shares held by the Qualifying Shareholders on the Record Date. The Rights Issue is only available to Qualifying Shareholders.

Major Shareholders have irrevocably undertaken to take up their entitlement under the Rights Issue in full. The Rights Issue is fully underwritten by the Underwriter, other than those Rights Shares undertaken to be accepted by Major Shareholders, which at the date of this announcement, are interested in 1,413,700,289 Shares in aggregate, representing approximately 46.04 per cent. of the existing issued share capital of the Company.

**The Rights Issue is conditional upon, among others, the approval of the Stock Exchange (see "Conditions of the Rights Issue" below), and is further subject to the Underwriter not terminating the Underwriting Agreement as referred to in the paragraph headed "Termination of the Underwriting Agreement" below. Accordingly, the Rights Issue may or may not proceed.**

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date. Any transfers of Shares (with relevant certificates) must be lodged for registration by 4:00 p.m. on 28th May, 2002 with the Company's Hong Kong branch share registrar, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong. The register of members of the Company will be closed from 29th May, 2002 to 31st May, 2002, both days inclusive. No transfer of Shares will be registered during this period. Existing Shares will be dealt in on an ex-rights basis from 27th May, 2002.

Any buying or selling of the Shares from now up to the date on which all the conditions to which the Rights Issue is subject are fulfilled, and any buying or selling of nil-paid Rights Shares, is at investors' own risk.

The Directors believe that it is in the interest of the Company and its Shareholders to enlarge the capital base and to strengthen the financial position of the Group through the implementation of the Rights Issue. The net proceeds of the Rights Issue are estimated to be not less than approximately HK\$76.77 million before expenses and will be used as additional working capital for the Group primarily for the purpose of financing the property projects of the Group in the People's Republic of China and/or reducing the level of borrowings of the Group.

The Prospectus containing, inter alia, further details of the proposed Rights Issue will be sent to the Shareholders on or about 31st May, 2002.

The Company will despatch the Prospectus Documents to each of the Qualifying Shareholders and the Prospectus in relation to the Rights Issue to each of the Non-Qualifying Shareholders, for their information only, as soon as practicable.

Trading in the Shares has been suspended with effect from 9:30 a.m., Thursday, 9th May, 2002 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption in the trading of the Shares with effect from 9:30 a.m. on Friday, 10th May, 2002.

### RIGHTS ISSUE

#### Issue Statistics

Basis of Rights Issue	: one Rights Share for every four Shares held on the Record Date
Number of existing Shares in issue	: 3,070,826,923 Shares
Number of Rights Shares	: not less than 767,706,730 Rights Shares, representing approximately 25 per cent. and 20 per cent. of the existing and enlarged issued share capital of the Company respectively
Underwriter	: ICEA Capital Limited

#### Qualifying Shareholders

The Company will send provisional allotment letters and forms of application for excess Rights Shares to Qualifying Shareholders only.

#### To qualify for the Rights Issue, a Shareholder must on the Record Date:

- be registered as a member of the Company at the close of business on the Record Date; and
- has an address in Hong Kong which appears on the register of members of the Company.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificate(s)) with the Company's branch share registrar in Hong Kong, Tengis Limited of 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong, by 4:00 p.m. (Hong Kong time) on Tuesday, 28th May, 2002.

#### Closure of Register of Members

The register of members of the Company will be closed from 29th May, 2002 to 31st May, 2002, both days inclusive. No transfer of Shares will be registered during this period.

### TERMS OF THE RIGHTS ISSUE

#### Subscription price

HK\$0.10 per Rights Share, payable in full when a Qualifying Shareholder accepts the relevant provisional allotments of Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for Rights Shares.

The subscription price of HK\$0.10 was determined with reference to recent closing prices of the Shares on the Stock Exchange and represents (i) a discount of approximately 45.1 per cent. to the closing price of HK\$0.182 per Share quoted on the Stock Exchange on 8th May, 2002 (the last trading day prior to the suspension of trading); (ii) a discount of approximately 39.4 per cent. to the theoretical ex-rights price of HK\$0.165 per Share based on that closing price per Share and (iii) a discount of approximately 44.4 per cent. to the average closing price of HK\$0.18 per Share for the last ten trading days prior to the date of this announcement.

#### Basis of provisional allotments

**One Rights Share for every four Shares held by a Qualifying Shareholder on the Record Date.**

#### Status of the Rights Shares

When fully paid, issued and allotted, the fully-paid Rights Shares will rank 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.

Dealings in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong.

#### Rights of Non-Qualifying Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong. The Directors will exercise the discretion given to them under the memorandum and articles of association of the Company not to offer the Rights Shares to the Non-Qualifying Shareholders with registered addresses in territories outside Hong Kong where, in the opinion of the Directors, it would or might, be unlawful or impracticable to offer Rights Shares in such places without registration of the Prospectus Documents and/or compliance with any legal or regulatory requirements or special formalities in such places. Accordingly, no provisional allotment of Rights Shares or any allotment of Rights Shares will be made to Non-Qualifying Shareholders. The Company will send copies of the Prospectus to Non-Qualifying Shareholders for their information only. The Company will not send provisional allotment letters and forms for application for excess Rights Shares to Non-Qualifying Shareholders.

The Company will make arrangements for the Rights Shares, which would otherwise have been provisionally allotted to Non-Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealing in the nil-paid Rights Shares commences, if a premium (net of expenses) can be obtained. The proceeds of each sale, less expenses, of HK\$100 or more will be paid to overseas Shareholders in Hong Kong dollars pro rata to their respective shareholding as soon as possible. The Company will retain individual amounts of less than HK\$100.

#### Fractional Entitlement to the Rights Shares

Fractional entitlements to Rights Shares will not be provisionally allotted and will be rounded down to the nearest whole number. Rights Shares representing the aggregate of fractions of Rights Shares (rounded down to the nearest whole number) will be provisionally allotted to a nominee appointed by the Company and, if a premium of HK\$100, net of expenses, can be obtained, will be sold by the Company or its appointed nominee and the net proceeds of sale will be retained by the Company for its own benefit. Any unsold fractions of Rights Shares will be available for excess application.

#### Application for excess Rights Shares

Qualifying Shareholders may apply for any unsold entitlements, and any Rights Shares provisionally allotted but not accepted.

Application is made by completing the forms for application for excess Rights Shares. The Directors will allocate the excess Rights Shares on a fair and equitable basis, but will give preference to topping-up odd lots to whole board lots.

## Share Certificates

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto at their own risk on or before 27th June, 2002.

### Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

## UNDERWRITING ARRANGEMENTS

### Underwriting Agreement:

Date	:	8th May, 2002
Underwriter	:	ICEA Capital Limited
Number of Rights Shares underwritten	:	All Rights Shares not taken up by Major Shareholders
Commission	:	HK\$2,100,000

As at the date of this Announcement, Major Shareholders are together interested in 1,413,700,289 Shares, representing approximately 46.04 per cent. of the issued share capital of the Company and each of them has irrevocably undertaken to take up its entitlement under the Rights Issue in full, but there is currently no indication from the Major Shareholders that they will take up any Excess Rights Shares.

### Termination of the Underwriting Agreement

**If at any time up to 5:00 p.m. on the second Business Day (other than a Saturday) following the Final Acceptance Date, one or more of the following events or matters shall develop, occur, arise or exist or come into effect:**

- the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties given by the Company in the Underwriting Agreement was untrue, inaccurate, misleading or breached and in each case, which is in the absolute opinion of the Underwriter, material in the context of the Rights Issue; or
- any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong, China, Cayman Islands or elsewhere; or
- any change in local, national or international, financial, political, industrial or economic conditions; or
- any change of an exceptional nature in local, national or international financial markets including but not limited to equity securities or currency markets; or
- any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;

which event or events is or are in the absolute opinion of the Underwriter:

- likely to have a material adverse effect on the business or financial or trading position or prospects of the Company or any member of the Group; or
- likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up,

then the Underwriter may, in its absolute discretion, in addition to and without prejudice to any other remedies to which the Underwriter may be entitled, by notice in writing to the Company, terminate the Underwriting Agreement.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed.

## CONDITIONS OF THE RIGHTS ISSUE

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

- the delivery by or on behalf of the Company of one copy of each of the Prospectus Documents, duly signed by or on behalf of all Directors 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 Allotment Posting Date;
- the posting of the Prospectus to the Shareholders and the posting of the provisional allotment letters and the application forms for excess Rights Shares to the Qualifying Shareholders not later than the Allotment Posting Date, or such later date as the Company may (subject, if required, to the approval of the Stock Exchange) (with the agreement of the Underwriter) specify in writing to the Underwriter; and
- 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.

All such conditions are to be fulfilled on or before 5:00 p.m. Hong Kong time on 31st July, 2002. **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, 2002, or such later date as the Company and the Underwriter may agree; or the Underwriting Agreement has been terminated in accordance with the terms thereof, then the Rights Issue will not proceed.**

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed accordingly.

Further details as regards the Rights Issue will be contained in the Prospectus Documents which is expected to be dispatched to the Shareholders on or about 31st May, 2002.

### WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Existing Shares are expected to be dealt in on an ex-rights basis from Monday, 27th May, 2002. Dealings in the Rights Shares in nil-paid form are expected to take place from 4th June, 2002 to 17th June, 2002 (both days inclusive). If the Underwriter terminates the Underwriting Agreement (see the section headed "Termination of the Underwriting Agreement" above), or if the conditions of the Rights Issue (see the section headed "Conditions of the Rights Issue" above) are not fulfilled or waived, the Rights Issue will not proceed.

Any buying or selling of the Shares from now up to the date on which all such conditions are fulfilled, and any buying or selling of nil-paid Rights Shares, is at investors' own risk.

If in any doubt, investors should consider obtaining professional advice.

## REASONS FOR THE RIGHTS ISSUE AND USE OF THE PROCEEDS

The Directors consider that in view of the recent economic climate, it is prudent to finance the Group's long term growth by long term funding, preferably in the form of equity. Furthermore, the Directors consider that it is in the interest of the Company to enlarge its capital base by way of the Rights Issue which will allow all Shareholders the opportunity to participate in the growth of the Company.

The net proceeds from the Rights Issue, before expenses, is expected to be approximately HK\$76.77 million and will be used as additional working capital for the Group.

## TIMETABLE OF THE RIGHTS ISSUE

The expected timetable for the Rights Issue is set out below:

2002

Last day of dealings in Shares on a cum-rights basis	Friday, 24th May
First day of dealings in Shares on an ex-rights basis	Monday, 27th May
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:00 p.m. on Tuesday, 28th May
Book closure period (both days inclusive)	Wednesday, 29th May to Friday, 31st May
Record Date	Friday, 31st May
Prospectus Documents expected to be despatched on	Friday, 31st May
First day of dealings in nil-paid Rights Shares	Tuesday, 4th June
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Wednesday, 12th June
Last day of dealings in nil-paid Rights Shares	Monday, 17th June
Latest time for acceptance of and payment for Rights Shares	4:00 p.m. on Thursday, 20th June
Rights Issue expected to become unconditional on or before	5:00 p.m. on Monday, 24th June
Announcement of results	Wednesday, 26th June
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be despatched on or before	Thursday, 27th June
Certificates for fully-paid Rights Shares expected to be despatched on or before	Thursday, 27th June
Dealings in fully-paid Rights Shares expected to commence on	Tuesday, 2nd July

**Dates or deadlines specified in this announcement for events in the timetable for (or otherwise in relation to) the Rights Issue are indicative only and may be extended or varied by the Company. Any changes to the anticipated timetable for the Rights Issue will be published appropriately.**

## 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 Thursday, 9th May, 2002 and an application has been made for the resumption of trading with effect from 9:30 a.m. on Friday, 10th May, 2002.

## DEFINITIONS USED IN THIS ANNOUNCEMENT

"Allotment Posting Date"	the date on which the Rights Issue Documents are despatched
"Business Day"	A day on which banks are open for business in Hong Kong (excluding Saturdays and Sundays)
"Company"	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
"Directors"	the directors of the Company
"Final Acceptance Date"	Latest time for acceptance of and payment for the Rights Shares
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Major Shareholders"	Lai Sun Garment (International) Limited and Silver Glory Securities Limited, a wholly owned subsidiary of the former, which are in aggregate beneficially interested in approximately 46.04 per cent. of the issued share capital of the Company;
"Non-Qualifying Shareholders"	Shareholders whose names appear on the register of members of the Company as at the close of business on the Record Date and whose addresses as shown on the register of members are in places outside Hong Kong
"Prospectus"	the prospectus to be issued by the Company in relation to the Rights Issue
"Prospectus Documents"	the Prospectus, the provisional allotment letter and form of application for excess Rights Shares
"Qualifying Shareholder(s)"	The Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and has as its address on the register of members of the Company on the Record Date in Hong Kong
"Record Date"	31st May, 2002, the record date by which entitlements to the Rights Issue will be determined
"Rights Issue"	the issue of not less than 767,706,730 Rights Shares at a price of HK\$0.10 Rights Share
"Rights Shares"	not less than 767,706,730 new Shares to be issued under the Rights Issue
"Shareholder(s)"	holder(s) of Shares(s)
"Share(s)"	share(s) of HK\$0.10 each in the existing capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Underwriter"	ICEA Capital Limited
"Underwriting Agreement"	the underwriting agreement dated 8th May, 2002 and entered into between the Company and the Underwriter in relation to the Rights Issue

By order of the Board  
**LAI FUNG HOLDINGS LIMITED**  
Yeung Kam Hoi  
Company Secretary

Hong Kong, 9th May, 2002