



LAI FUNG HOLDINGS

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

(Stock Code: 1125)

Rights Issue by Lai Fung Holdings Limited in the Proportion of One Rights Share for Every Four Shares Held at HK\$0.10 per Rights Share and Resumption of Trading

Underwriter
VC CEF Capital Limited

THE RIGHTS ISSUE

The Company proposes to raise approximately HK\$117.46 million, before expenses, by issuing 1,174,591,295 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 entitlements 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 2,212,675,231 Shares in aggregate, representing approximately 47.09% of the existing issued share capital of the Company, out of which 1,455,365,090 Shares representing 30.98% is owned by Lai Sun Garment (International) Limited, 665,185,341 Shares representing 14.16% is owned by Silver Glory Securities Limited and 92,124,800 Shares representing 1.96% is owned by Mr. Lim Por Yen.

The Rights Issue is fully underwritten by the Underwriter, other than those Rights Shares undertaken to be accepted by the Major Shareholders by way of their rights entitlements. Each of the Major Shareholders has indicated that it or he has no present intention to apply for any excess Rights Shares.

The Rights Issue is conditional upon, among others, the Stock Exchange agreeing to grant the listing of and permission to deal in, the Rights Shares, in their nil-paid and fully-paid forms (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 Wednesday, 16th June, 2004 with the Company's Hong Kong branch share registrar, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. The register of members of the Company will be closed from Thursday, 17th June, 2004 to Wednesday, 23rd June, 2004, both days inclusive. No transfer of Shares will be registered during his period. Existing Shares will be dealt in on an ex-rights basis from Tuesday, 15th June, 2004.

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\$117.46 million before expenses and will be used (i) to meet the capital contribution requirements of the Group relating to property projects in the Mainland of China and (ii) as additional working capital for the Group.

The Prospectus containing, inter alia, further details of the proposed Rights Issue will be sent to the Shareholders on or about Wednesday, 23rd June, 2004.

The Company will practice 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 (if any), for their information only, as soon as practicable.

Trading in the Shares has been suspended with effect from 9:30 a.m., 1st 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 with effect from 9:30 a.m. on 3rd June, 2004.

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	: 4,698,365,183 Shares
Number of Rights Shares:	: 1,174,591,295 Rights Shares, representing approximately 25 per cent. and 20 per cent. of the existing and enlarged issued share capital of the Company respectively
Underwriter	: VC CEF 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

Qualifying Shareholders

The Company will send provisional allotment letters and forms of application for excess Rights Shares to Qualifying Shareholders only. As at 30th May 2004, being the latest practicable date for ascertaining members on the register of shareholders of the Company, there are no Shareholders whose registered address is outside Hong Kong.

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 Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, by 4:00 p.m. (Hong Kong time) on Wednesday, 16th June, 2004.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 17th June, 2004 to Wednesday, 23rd June, 2004, 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 Shares 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 per Right 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 per cent. 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); (ii) a discount of approximately 51.9 per cent. 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 per cent. to the average closing price of HK\$0.212 per Share for the last ten trading days prior to the date of this announcement. The Directors consider the discount of the subscription price to the closing price on 31st May, 2004 is reasonable and hopefully will achieve the objective of encouraging existing Shareholders to take up their entitlements, so as to share in the potential growth of the Company.

Basis of provisional allotments

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

The Company has no outstanding option, convertible securities or warrant which confers the right to subscribe for Shares.

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.

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. If there is any Non-Qualifying Shareholders as at the Record Date, the Company will make enquiry pursuant to Rule 13.36(2) of the Listing Rules regarding the legal restrictions under the laws of the relevant places. 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 (if any) where, in the opinion of the Directors and having regard to legal restrictions under the laws of relevant places or the requirements of the relevant regulatory body or exchange in places outside Hong Kong, 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 (if any). The Company will send copies of the Prospectus to Non-Qualifying Shareholders (if any) for their information only. The Company will not send provisional allotment letters and forms for application for excess Rights Shares to Non-Qualifying Shareholders.

Any Shareholder whose address as shown on the register of members is outside Hong Kong and who wishes to participate in the Rights Issue should supply an address in Hong Kong to the share registrar of the Company before the book closure date.

The Company will make arrangements for the Rights Shares, which would otherwise have been provisionally allotted to any Non-Qualifying Shareholders there may be, 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 re-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 with reference to the level of acceptance of the Rights Shares and the number of excess Rights Shares available, 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 Wednesday, 14th July, 2004.

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	: 31st May, 2004
Underwriter	: VC CEF Capital Limited
Number of Rights Shares Underwritten	: All Rights Shares other than those undertaken to be taken up by the Major Shareholders
Commission	: HK\$2,610,000, the Directors consider that such rate is fair and reasonable and was determined after arms length negotiations between the Company and the Underwriter and is within the market range

As at the date of this Announcement, the Major Shareholders are together interested in 2,212,675,231 Shares, representing approximately 47.09% of the issued share capital of the Company and each of them has on 31st May 2004 irrevocably undertaken to take up its or his entitlement under the Rights Issue in full. Each of the Major Shareholders has indicated that it or he has no present intention to apply for any excess 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 the Company immediately after completion of the Rights Issue will be as follows:

Major Shareholders	No. of Shares beneficially owned as at the date of this Announcement and on the Record Date	Percentage of shareholding before the Rights Issue	No. of Rights Shares to be taken up assuming that the public Shareholders have taken up their entitlements in full	Percentage of shareholding after the Rights Issue	No. of Shares owned on completion of the Rights Issue assuming that none of the public Shareholders 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%	1,819,206,362	30.98%	1,819,206,362	30.98%
Silver Glory Securities Limited (Note 1)	665,185,341	14.16%	831,481,675	14.16%	831,481,675	14.16%
Lim Por Yen (Note 2)	92,124,800	1.96%	115,156,000	1.96%	115,156,000	1.96%
Underwriter	0	0%	0	0%	621,422,489	10.58%
Public	2,485,689,952	52.90%	3,107,112,441	52.90%	2,485,689,952	42.32%
Total:	4,698,365,183	100%	5,872,956,478	100%	5,872,956,478	100%

Note 1: Silver Glory Securities Limited is a wholly-owned subsidiary of Lai Sun Garment (International) Limited.

Note 2: Mr. Lim Por Yen is a controlling shareholder of Lai Sun Garment (International) Limited and a shareholder of the Company. Mr. Lam Por Yen is also an executive director of both the Company and Lai Sun Garment (International) Limited.

Termination of the Underwriting Agreement

In addition to the Underwriter's right to terminate the Underwriting Agreement in the event that the Conditions referred to below 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; 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 reasonable 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;
- due performance by each of the Major Shareholders of his or its obligations under the undertaking letters;
- 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;
- 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
- compliance by the Company of its obligations under the Underwriting Agreement.

It is expected that all the 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 fulfillment of the Conditions; 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 are expected to be dispatched to the Shareholders on or about Wednesday, 23rd June, 2004.

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 Tuesday, 15th June, 2004. Dealings in the Rights Shares in nil-paid form are expected to take place from Friday, 25th June, 2004 to Monday, 5th July, 2004 (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 implementation of austerity measures by authorities in the Mainland of China recently and the widely projected upward trend in interest rates, 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 Company did not engage in any fund raising exercise during the 12 months immediately preceding the date of this announcement.

The net proceeds from the Rights Issue, before expenses, is expected to be approximately HK\$117.46 million and approximately 15% of which will be used to meet the capital contribution requirements of the Group relating to property projects in Guangdong Province in the Mainland of China and the remaining 85% as additional working capital for the Group. The Company has no imminent need to use the net proceeds for repayment of debt or any other current liabilities. The unaudited net current liabilities of the Company as at 31st January, 2004 amounted to HK\$107.7 million. The Board considers that the Company has sufficient cash flow for its ongoing operations.

TIMETABLE OF THE RIGHTS ISSUE

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

	2004
Last day of dealings in Shares on a cum-rights basis	Monday, 14th June
First day of dealings in Shares on an ex-rights basis	Tuesday, 15th June
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:00 p.m. on Wednesday, 16th June
Book closure period (both days inclusive)	Thursday, 17th June to Wednesday, 23rd June
Record Date	Wednesday, 23rd June
Prospectus Documents expected to be despatched on	Wednesday, 23rd June
First day of dealings in nil-paid Rights Shares	Friday, 25th June
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Tuesday, 29th June
Last day of dealings in nil-paid Rights Shares	Monday, 5th July
Latest time for acceptance of and payment for Rights Shares	4:00 p.m. on Thursday, 8th July
Rights Issue expected to become unconditional on or before	5:00 p.m. on Monday, 12th July
Announcement of results	Tuesday, 13th July
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be despatched on or before	Wednesday, 14th July
Certificates for fully-paid Rights Shares expected to be despatched on or before	Wednesday, 14th July
Dealings in fully-paid Rights Shares expected to commence on	Friday, 16th 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 to Shareholders as and when appropriate.

PRINCIPAL BUSINESS OF THE COMPANY

The principal activities of the Group are property development for sale and property investment for rental purposes in the Mainland of China. The property portfolio of the Group 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. The Company 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 the Company amounted to approximately HK\$5,630.66 million. As at 31st January, 2004 the unaudited consolidated net tangible assets of the Company 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 the Company 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 the Company 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 the Company amounted to HK\$62.92 million for the year ended 31st July, 2003. The audited consolidated net loss after taxation and minority interests of the Company 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 the Company amounted to HK\$56.99 million for the year ended 31st July, 2003.

SUSPENSION AND RESUMPTION OF TRADING

Pending the release of this announcement, trading of the Company's securities on the Stock Exchange was suspended with effect from 9:30 a.m. on 1st June, 2004 and an application has been made for the resumption of trading with effect from 9:30 a.m. on 3rd June, 2004.

DEFINITIONS USED IN THIS ANNOUNCEMENT

"Allotment Posting Date"	the date on which the Prospectus Documents are despatched
"Business Day"	a full day on which the Stock Exchange is open for dealings
"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 day 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, Silver Glory Securities Limited (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 the Company respectively
"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"	23rd June, 2004, the record date by which entitlements to the Rights Issue will be determined
"Rights Issue"	the issue 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
"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"	VC CEF Capital Limited
"Underwriting Agreement"	the underwriting agreement dated 31st May, 2004 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, 3rd June, 2004

As at the date hereof, the executive directors of the Company are Mr. Lim Por Yen, Mr. Lam Kin Ming (Mr. Lam Kin Ming is also an alternate director to Mr. Ho Wing Tim, Mr. Lam Kin Ko, Stewart, Mr. Chiu Wai, Mr. Shiu Kai Wah, Mr. Siu Fai Wing and Ms. Yu Po Kwan), Mr. Lam Kin Hong, Matthew, Mr. Ho Wing Tim, Mr. Lam Kin Ngok, Peter, Mr. Lee Po On, Madam U Po Chu and Mr. Yew Yat Ming, the non-executive directors are Mr. Lam Kin Ko, Stewart, Mr. Chiu Wai, Mr. Shiu Kai Wah, Mr. Siu Fai Wing and Ms. Yu Po Kwan and the independent non-executive directors are Mr. Wong Yee Sui, Andrew and Mr. Lam Bing Kwan.