
IMPORTANT

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Lai Fung Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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LAI FUNG HOLDINGS

Lai Fung Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Executive Directors:

Lim Por Yen (Chairman)
Lam Kin Ming (Deputy Chairman)*
Lam Kin Hong, Matthew (Chief Executive Officer)
Ho Wing Tim (Deputy Chief Executive Officer)^o
Lam Kin Ngok, Peter
Lee Po On
U Po Chu
Yew Yat Ming

Non-executive Directors:

Lam Kin Ko, Stewart^o
Chiu Wai^o
Shiu Kai Wah^o
Siu Fai Wing^o
Yu Po Kwan^o
Wong Yee Sui, Andrew **
Lam Bing Kwan **

* Also Alternate Director to^o

** Independent Non-executive Directors

Principal Place of Business:

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

Registered Office:

Ugland House
South Church Street
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

26th November, 2003

To shareholders (“Shareholders”) of Lai Fung Holdings Limited (the “Company”)

Dear Sir or Madam,

GENERAL MANDATES FOR REPURCHASE BY THE COMPANY OF ITS OWN SHARES AND TO ISSUE SHARES

INTRODUCTION

The Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) contain provisions to regulate the repurchase by companies with primary listings on the Stock Exchange of their own shares on the Stock Exchange (the “Share Buy Back Rules”).

The purpose of this circular is to provide you with an explanatory statement as required by the Listing Rules and information relating to the ordinary resolutions to be proposed at the forthcoming Annual General Meeting of the Company to be held on Monday, 22nd December, 2003 (the “Annual General Meeting”) to grant general mandates to the directors of the Company (the “Directors”) (i) to exercise the powers of the Company to repurchase issued and fully-paid up shares of the Company; (ii) to issue new shares; and (iii) to increase the number of shares which the Directors may issue under the general mandate to issue new shares by the number of shares repurchased.

For the purposes of this circular, the term “shares” shall mean shares of all classes and securities which carry a right to subscribe or purchase shares of the Company.

GENERAL MANDATE FOR REPURCHASE OF SHARES

(i) The Share Buy Back Rules

The most important points of the Share Buy Back Rules are as follows:

(a) *Shareholders’ Approval*

All proposed repurchases of shares on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a general mandate or by specific approval for particular transactions.

(b) *Source of Funds*

Repurchases must be funded out of funds which are legally available for the purpose in accordance with the company’s constitutional documents and the laws of the jurisdiction in which the company is incorporated.

(c) *Maximum Number of Shares*

The shares proposed to be repurchased by a company must be fully-paid up. A maximum of 10% of the issued share capital of the company as at the date of the resolution authorising the repurchase may be repurchased on the Stock Exchange.

(ii) The Repurchase Proposal

Ordinary resolution No. 4(A) to be proposed at the Annual General Meeting relates to the grant of a general mandate to the Directors to repurchase, on the Stock Exchange, issued and fully-paid up shares of HK\$0.10 each in the share capital of the Company (“Shares”) up to a maximum of 10% of the aggregate nominal amount of the issued and fully-paid up share capital of the Company as at the date of the said resolution (the “Repurchase Proposal”).

(iii) Reasons for Repurchases

Although the Directors have no present intention of repurchasing any Shares, they believe that the flexibility afforded by the Repurchase Proposal would be beneficial to the Company and its Shareholders. Trading conditions on the Stock Exchange have sometimes been volatile in recent years. At any time in the future when the Shares are trading at a discount to their underlying value, the ability of the Company to repurchase Shares will be beneficial to those Shareholders who retain their investment in the Company since their percentage interest in the assets of the Company would increase in proportion to the number of Shares repurchased by the Company. Share repurchase will only be made when the Directors believe that such repurchase will benefit the Company and its Shareholders.

(iv) Share Capital

As at 21st November, 2003, being the latest practicable date prior to the printing of this circular (the “Latest Practicable Date”), the issued and fully-paid up share capital of the Company comprised 4,606,240,383 Shares.

Subject to the passing of the ordinary resolution No. 4(A), the Company would be allowed under the Repurchase Proposal to repurchase Shares up to a maximum of 460,624,038 Shares on the basis that no further Shares are issued or repurchased prior to the date of the forthcoming Annual General Meeting.

(v) Funding of Repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the laws of the Cayman Islands.

The Directors propose that such repurchases of Shares would be appropriately financed by the Company’s internal resources and/or available banking facilities. There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the Annual Report for the year ended 31st July, 2003) in the event that the Repurchase Proposal was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Proposal to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(vi) **Market Prices**

The highest and lowest prices at which the Shares had been traded on the Stock Exchange during each of the previous twelve months prior to the Latest Practicable Date were as follows:

	SHARES	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2002		
November	0.092	0.076
December	0.123	0.082
2003		
January	0.150	0.105
February	0.150	0.127
March	0.133	0.095
April	0.103	0.090
May	0.127	0.100
June	0.125	0.108
July	0.132	0.106
August	0.193	0.117
September	0.200	0.158
October	0.233	0.170

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make purchases under the Repurchase Proposal in accordance with the Listing Rules and the laws of the Cayman Islands. If a shareholder's proportionate interest in the voting rights of the Company increases as a result of the Directors exercising the power to repurchase Shares pursuant to the Repurchase Proposal, such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. As at the Latest Practicable Date, Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary, Silver Glory Securities Limited ("SGS"), were interested respectively in 1,455,365,090 Shares and 665,185,341 Shares which represent approximately 31.60% and 14.44% respectively of the existing issued share capital of the Company. Assuming the shareholdings of LSG and SGS in the Company remain unchanged, full exercise by the Company of the general mandate to repurchase the Shares as mentioned herein will increase the interest of LSG and SGS in the issued share capital of the Company to 35.11% and 16.05% respectively, making a total of 51.16%. In the opinion of the Directors, such increase may give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Takeovers Code. The Directors have no present intention to exercise the power to repurchase shares pursuant to the Repurchase Proposal to such an extent as to result in takeover obligations.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) presently intend to sell any Shares to the Company under the Repurchase Proposal in the event that the Repurchase Proposal is approved by the Shareholders.

The Company has not been notified by any connected persons (as defined in the Listing Rules) that they have any present intention to sell any Shares to the Company, or that they have undertaken not to sell any Shares held by them to the Company in the event that the Repurchase Proposal is approved by the Shareholders.

(vii) Shares Purchases Made by the Company

No purchase of the Shares has been made by the Company during the six months prior to the Latest Practicable Date (whether on the Stock Exchange or otherwise).

GENERAL MANDATE TO ISSUE SHARES

Ordinary resolution No. 4(B) to be proposed at the Annual General Meeting relates to the granting of a general mandate to the Directors to issue new Shares up to a maximum of 20% of the issued share capital of the Company as at the date of the said resolution.

Ordinary resolution No. 4(C) relates to the extension of the general mandate to be granted to the Directors to issue new Shares during the Relevant Period (as defined in the ordinary resolution No. 4(A) of the Notice of Annual General Meeting of the Company contained in the Annual Report for 2002-2003) by adding to it the number of Shares repurchased by the Company under the Repurchase Proposal, if any.

PROXY ARRANGEMENT

A form of proxy for use at the Annual General Meeting is enclosed with the Annual Report for the year ended 31st July, 2003. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company's Registrars in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting or at any adjournment thereof.

RECOMMENDATION

The Directors consider that the Repurchase Proposal and the granting of general mandate to issue new Shares as mentioned above are in the best interests of the Company and the Shareholders and accordingly recommend that all the Shareholders should vote in favour of the ordinary resolutions No. 4(A) to 4(C) to be proposed at the Annual General Meeting.

Yours faithfully,
For and on behalf of
Lai Fung Holdings Limited
Lim Por Yen
Chairman