



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 28th June, 2004, LSD and eSun (and their respective relevant subsidiaries) entered into the Settlement Agreement concerning the settlement of the indebtedness due from the LSD Group, and guaranteed by LSD, to a subsidiary of eSun in the principal amount of approximately HK\$1,500 million. The Directors have also been informed that LSD has reached an agreement in principle with an informal committee of the Bondholders concerning the restructuring of indebtedness owed by LSD to the Bondholders in the principal amount of approximately US\$196 million (equal to approximately HK\$1,529 million). The Directors are aware that LSD and eSun have issued a joint announcement dated 2nd July, 2004 concerning settlement of LSD's indebtedness to the eSun Group and the Bondholders.

The Settlement contemplates the settlement of all indebtedness owed by the LSD Group to the eSun Group and the Bondholders in consideration for, inter alia, the potential transfer by LSD of, and the creation of charges over LSD's interests in certain of its assets, payment of an aggregate amount of approximately HK\$320 million in cash, and the allotment and issue of in aggregate approximately 9,000 million shares in LSD, to and in favour of the Bondholders and the eSun Group (as the case may be). The Directors understand that the implementation and completion of the transactions contemplated in the Settlement are dependent on a number of conditions that includes, inter alia, the respective shareholders of eSun and LSD approving the terms of the Settlement and the Bondholders approving the terms of the Bonds Settlement.

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. The Directors understand that LSD and eSun anticipate completion of the Settlement Agreement and completion of the Bonds Settlement to take place simultaneously and no later than 1st November, 2004.

Shareholders of LSG should note that the Bonds Settlement has yet to be formally approved by the Bondholders, and may ultimately not materialise with the result of the Settlement not proceeding as envisaged by LSD and eSun. Shareholders and other investors of LSG are therefore advised to exercise caution when dealing in the shares of LSG.

The Directors are aware that the element of the Settlement involving the proposed allotment and issue of new ordinary shares in LSD (if completion occurs) will result in a dilution of LSG's interest in LSD from approximately 42.25% to approximately 12.4%.

This announcement is made under the general disclosure requirements under Rule 13.09 of the Listing Rules. A further announcement will be released by LSG as soon as practicable upon the implementation and completion of the transactions contemplated under the Settlement.

### INTRODUCTION

The Directors are informed that, on 28th June, 2004, LSD and eSun (and their respective relevant subsidiaries) entered into the Settlement Agreement concerning the settlement of the indebtedness due from the LSD Group, and guaranteed by LSD, to a subsidiary of eSun in the principal amount of approximately HK\$1,500 million. The Directors have also been informed that LSD has reached an agreement in principle with an informal committee of the Bondholders concerning the restructuring of indebtedness owed by LSD to the Bondholders in the principal amount of approximately US\$196 million (equal to approximately HK\$1,529 million). The Directors are aware that LSD and eSun have issued a joint announcement dated 2nd July, 2004 concerning the settlement of LSD's indebtedness to the eSun Group and the Bondholders.

Reference is made to eSun and LSD's joint announcement setting out details of the transactions contemplated in the Settlement.

This announcement is made under the general disclosure requirements under Rule 13.09 of the Listing Rules, commonly known in Hong Kong as a "paragraph 2 announcement".

### THE SETTLEMENT AND IMPACT ON LSG

The Directors are aware that LSD has engaged in a series of discussions with an informal committee of the Bondholders and eSun with a view to formulating a set of proposals acceptable to each of them. The Directors understand that the Settlement was formulated to effect a debt restructuring of the LSD Group and if completed, is anticipated to settle all indebtedness owed by the LSD Group to the eSun Group and the Bondholders in consideration for, inter alia, the potential transfer by LSD of, and the creation of charges over LSD's interests in certain of its assets, payment of an aggregate amount of approximately HK\$320 million in cash, and the allotment and issue of in aggregate approximately 9,000 million shares in LSD, to and in favour of the Bondholders and the eSun Group (as the case may be). The Directors are informed that 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. The Directors understand that LSD and eSun anticipate completion of the Settlement Agreement and completion of the Bonds Settlement to take place simultaneously and no later than 1st November, 2004.

Shareholders of LSG should also note that the Bonds Settlement has yet to be formally approved by the Bondholders, and may ultimately not materialise. Accordingly, the conditions to completion of the Settlement may not be fulfilled and the Settlement might not proceed as envisaged by LSD and eSun. Shareholders and other investors of LSG are therefore advised to exercise caution when dealing in the shares of LSG.

The Directors are aware that the element of the Settlement involving the proposed allotment and issue of new shares in LSD (which will be conditional upon the Stock Exchange granting listing of and permission to deal in such shares) (if completion occurs) will result in a dilution of LSG's interest in LSD from approximately 42.25% to approximately 12.4%. At present, LSD is being equity accounted for as an associate of LSG. Upon completion of the Settlement, LSD is anticipated to be accounted for in the accounts of LSG as a long term investment. LSG however continues to hold 1,582,869,192 shares in LSD as at the date of this announcement. A further announcement detailing such impact is anticipated to be released by LSG 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.

### DEFINITION OF TERMS

In this announcement, the following terms and expressions (unless the context otherwise requires) shall have the following meanings:

- "Bonds" the Exchangeable Bonds and the Convertible Bonds  
"Bondholders" the Exchangeable Bondholders and the Convertible Bondholders

"Bonds Settlement"	settlement of the outstanding indebtedness due to the Bondholders on the principal terms set out in the joint announcement of LSD and eSun dated 2nd July, 2004 agreed in principle between LSD and an informal committee of the Bondholders
"Convertible Bondholders"	holders of Convertible Bonds
"Convertible Bonds"	the US\$150,000,000 four per cent. Convertible Guaranteed Bonds originally due 2002 issued by Lai Sun International Finance (1997) Limited (a wholly-owned subsidiary of LSD) and guaranteed by LSD, as constituted by the trust deed dated 4th August, 1997 (as supplemented and amended)
"Directors"	directors of LSG
"eSun"	eSun Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange
"eSun Group"	eSun and its subsidiaries
"Exchangeable Bondholders"	holders of Exchangeable Bonds
"Exchangeable Bonds"	the US\$115,000,000 five per cent. Exchangeable Guaranteed Bonds originally due 2004 issued by Lai Sun International Finance (Cayman Islands) Limited (a wholly-owned subsidiary of LSD) and guaranteed by LSD, as constituted by the trust deed dated 28th February, 1997 (as supplemented and amended)
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LSD"	Lai Sun Development Company Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Stock Exchange
"LSD Group"	LSD and its subsidiaries
"LSG"	Lai Sun Garment (International) Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Stock Exchange
"Settlement"	the Bonds Settlement and completion of the Settlement Agreement
"Settlement Agreement"	the agreement dated 28th June, 2004 between, inter alia, LSD and eSun relating to the settlement of the outstanding principal indebtedness of approximately HK\$1,500 million owed by the LSD Group, and guaranteed by LSD, to a subsidiary of eSun
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US\$"	US dollars, the lawful currency of the United States of America

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

Hong Kong, 2nd July, 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.