
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Lai Sun Garment (International) Limited (“Company”), you should at once hand this circular 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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L A I S U N G A R M E N T

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

DISCLOSEABLE TRANSACTION

AND

DISCLOSURE PURSUANT TO RULE 13.13 OF THE LISTING RULES

A letter from the board of directors of the Company is set out on pages 3 to 7 of this circular.

8th December, 2005

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

“Announcement”	the announcement dated 17th November, 2005 issued by the Company in connection with the Loan Facility Agreement
“associate”	has the meaning ascribed to it in the Listing Rules
“Borrower”	Capital Wealth Corporation Limited, a company duly incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Mortgagor
“Companies Ordinance”	the 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
“Deed of Debenture”	a deed of debenture dated 28th July, 2005, entered into between (1) the Borrower as chargor; and (2) the Lenders as chargees creating fixed and floating charges over its assets and undertakings
“Deed of Mortgage of Shares”	a deed of mortgage of shares dated 28th July, 2005 entered into between (1) the Mortgagor; and (2) the Lenders as chargees over the shares of the Mortgagor
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$” and “cents”	Hong Kong dollars(s) and Hong Kong cent(s) respectively, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	2nd December, 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information of this circular

DEFINITIONS

“Lender A”	Starfeel Hong Kong Limited, a company duly incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
“Lender B”	Proven Honour Investments Limited, a company duly incorporated under the laws of the British Virgin Islands
“Lenders”	Lender A and Lender B
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Facility Agreement”	a loan facility agreement dated 15th November, 2005 entered into between (1) the Borrower; (2) the Lenders; and (3) the Mortgagor in relation to a revolving loan facility of HK\$100,000,000
“Mortgagor”	Stayever Group Limited, a company duly incorporated under the laws of the British Virgin Islands
“PRC”	The People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Facility Letter”	a facility letter dated 28th July, 2005 entered into between (1) the Borrower; (2) the Lenders; and (3) the Mortgagor in relation to a three (3) year loan facility of HK\$33,300,000
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company
“Shares”	ordinary shares of HK\$0.01 each in the ordinary share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

LETTER FROM THE BOARD



LAI SUN GARMENT

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

Executive Directors:

Lam Kin Ming (*Chairman*)
Lam Kin Ngok, Peter (*Deputy Chairman*)
Shiu Kai Wah
Lee Po On
Lam Kin Hong, Matthew

Registered Office:

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

Non-Executive Directors:

U Po Chu
Chiu Wai
Lai Yuen Fong
Lam Wai Kei, Vicky[#]
Wan Yee Hwa, Edward*
Leung Shu Yin, William*
Chow Bing Chiu*

[#] *Alternate director to Madam Lai Yuen Fong*

* *Independent Non-Executive Directors*

8th December, 2005

To the Shareholders

Dear Sir/Madam,

DISCLOSEABLE TRANSACTION AND DISCLOSURE PURSUANT TO RULE 13.13 OF THE LISTING RULES

INTRODUCTION

On 17th November, 2005, the Directors announced that the Borrower, the Lenders and the Mortgagor entered into a Loan Facility Agreement in relation to a revolving loan facility of HK\$100,000,000 (“Revolving Loan Facility”).

LETTER FROM THE BOARD

The purpose of this circular is to give you further information regarding the Loan Facility Agreement referred to above, including other information in respect of the Group.

THE TRANSACTION

On 15th November, 2005, the Borrower, the Lenders and the Mortgagor entered into the Loan Facility Agreement. Under the terms of the Loan Facility Agreement, the Lenders agreed to provide the Revolving Loan Facility to the Borrower, effective for a period of three (3) years commencing as of 28th July, 2005. The Loan Facility Agreement replaces a prior loan agreement between the same parties on 28th July, 2005 for a reduced amount.

LOAN FACILITY AGREEMENT DATED 15TH NOVEMBER, 2005

- Parties : (1) the Borrower; (2) the Lenders; and (3) the Mortgagor
- Revolving Loan Facility : A total amount of HK\$100,000,000:
- (a) a loan facility of up to HK\$70,000,000 to be provided by Lender A to the Borrower; and
 - (b) a loan facility of up to HK\$30,000,000 to be provided by Lender B to the Borrower.
- The loan facility is revolving in which any part of the loan facility that is repaid or prepaid but not cancelled may be reborrowed.
- Commencement date : As of 28th July, 2005
- Term : For a period of three (3) years. All outstanding principal and interest shall be repaid by 28th July, 2008.
- Interest : Interest on the amount outstanding under the Revolving Loan Facility and any interest will be charged at the rate of twenty-seven per cent. (27%) per annum. Interest accrued shall not be compounded annually. The length of each interest period in relation to the Revolving Loan Facility shall be of a duration of one (1) year or the expiry of the Revolving Loan Facility, whichever is the earlier.
- Purpose of the Revolving Loan Facility : The purpose of the Revolving Loan Facility is to provide general working capital to the Borrower.

LETTER FROM THE BOARD

SECURITY UNDER THE REVOLVING LOAN FACILITY

The Revolving Loan Facility is secured by (1) the Deed of Debenture; and (2) the Deed of Mortgage of Shares. In the event of Borrower's default, Lender A is entitled, on behalf of itself and as agent for Lender B, to exercise all rights, powers, authorities and discretion as Lender A thinks fit in its sole and absolute discretion, without having to first obtain any prior consent or instructions from, or to give any prior notice to, Lender B. All monies recovered are repaid to Lender A and Lender B on a pro rata and pari passu basis.

PRINCIPAL BUSINESS ACTIVITIES OF THE BORROWER, LENDER B AND THE MORTGAGOR

The Borrower is a limited company duly incorporated under the laws of Hong Kong and its principal business activities include money lending, securities financing and investment holding.

Lender B is a limited company duly incorporated under the laws of the British Virgin Islands and its principal business activity is investment holding.

The Mortgagor is a limited company duly incorporated under the laws of the British Virgin Islands and its principal business activity is investment holding. It is a newly set up company in respect of which no audited accounts have been prepared as at the Latest Practicable Date.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, each of Lender B, the Borrower and the Mortgagor, and the ultimate beneficial owner(s) of each, are third parties independent of the Company and the connected persons (as defined in the Listing Rules) of the Company.

PRINCIPAL BUSINESS ACTIVITY OF LENDER A

Lender A is a limited company duly incorporated under the laws of the Hong Kong and its only business activity has been the entering into of the Revolving Loan Facility for the Group. Lender A is a wholly-owned subsidiary of the Company. Lender A is not a licensed money lender and it is not in the business of money lending. In any event, the Company understands that the Revolving Loan Facility is an exempted loan under the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong). The Company understands that the Revolving Loan Facility is in compliance with the laws and regulations of Hong Kong.

PRINCIPAL BUSINESS ACTIVITIES OF THE GROUP

The Company is the holding company of the Group which is principally engaged in garment manufacturing, retail and wholesale, property development and property investment in Hong Kong and the PRC.

LETTER FROM THE BOARD

REASONS FOR THE TRANSACTION AND SOURCE OF FINANCE

On 28th July, 2005, the Lenders entered into the Previous Facility Letter with the Borrower for a total amount of HK\$33,300,000 (out of which HK\$23,300,000 and HK\$10,000,000 were lent by Lender A and Lender B respectively). The Revolving Loan Facility embraces the Previous Facility Letter and increases the total loan amount to HK\$100,000,000. The terms of the Revolving Loan Facility and the Previous Facility Letter are largely similar to each other save that the former is of a revolving nature. The Previous Loan Facility was not notifiable under the Listing Rules at the time of entering into the same.

The Directors, having regard to the current investment opportunities available to the Company, consider that the transaction denoted by the Revolving Loan Facility represent an attractive investment for the Company. This is a unique opportunity for the Group, but it has no current intention to expand into the money lending business.

The loan is secured against all the assets and undertaking of the Borrower, as well as all the shares of the Borrower pledged by its shareholder. The Borrower's principal business is lending against traded securities. As such, its assets and undertakings comprise mainly cash and/or loan investments secured by tradable shares. The Company does not consider the credit risk for this loan transaction to be unacceptable.

The Directors, including the independent non-executive Directors, consider that the transaction, which was entered into after arm's length negotiations, is a transaction on normal commercial items that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The transaction is funded from internal resources of the Company. The Directors are of the view that the Revolving Loan Facility will not have any significant financial impact on the assets, liabilities and earnings of the Group.

DISCLOSEABLE TRANSACTION

As the percentage ratios (as defined in the Listing Rules) in respect of Lender A's portion of the Revolving Loan Facility are greater than 5% but less than 25%, the Revolving Loan Facility constitutes a discloseable transaction for the Company pursuant to Rule 14.06(2) of the Listing Rules. The percentage ratios (as defined in the Listing Rules) in respect of Lender A's portion of the Revolving Loan Facility exceed 8%, hence, it also constitutes an advance to an entity and is discloseable by the Company under Rule 13.13 of the Listing Rules.

LETTER FROM THE BOARD

FURTHER INFORMATION

Your attention is drawn to the further information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board of
Lai Sun Garment (International) Limited
Lam Kin Ming
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF DIRECTORS' INTEREST

As at the Latest Practicable Date, the following Directors and chief executive of the Company were interested in the following long and short positions in the shares, underlying shares or equity derivatives and debentures of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein (the "Register"); or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Code for Securities Transactions by Directors adopted by the Company (on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers issued by the Stock Exchange):

(1) The Company

Name of Director	Personal Interests	Long positions in the Shares			Capacity	Total	Percentage
		Family Interests	Corporate Interests				
Lam Kin Ngok, Peter	124,644,319	Nil	484,991,750 (Note)	Beneficial owner	609,636,069	37.69%	
Lam Kin Ming	5,008,263	Nil	Nil	Beneficial owner	5,008,263	0.31%	
U Po Chu	4,127,625	Nil	484,991,750 (Note)	Beneficial owner	489,119,375	30.24%	
Chiu Wai	199,600	Nil	Nil	Beneficial owner	199,600	0.01%	

Note: Mr. Lam Kin Ngok, Peter and Madam U Po Chu were deemed to be interested in 484,991,750 Shares each by virtue of their respective 50% interest in the issued share capital of Wisdoman Limited which directly owned 484,991,750 Shares in the Company.

(2) Associated Corporations

(a) *Lai Fung Holdings Limited (“LFH”)*

Name of Director	Personal Interests	Long positions in the shares of LFH			Total	Percentage
		Family Interests	Corporate Interests	Capacity		
Lam Kin Ngok, Peter	Nil	Nil	2,650,688,037 (Note)	Beneficial owner	2,650,688,037	45.13%

Note: The Company and its wholly-owned subsidiary beneficially owned 2,650,688,037 shares in LFH. Mr. Lam Kin Ngok, Peter was deemed to be interested in 2,650,688,037 shares in LFH by virtue of his 37.69% interest in the issued share capital of the Company.

(b) *Crocodile Garments Limited (“CGL”)*

Name of Director	Personal Interests	Long positions in the shares of CGL			Total	Percentage
		Family Interests	Corporate Interests	Capacity		
Lam Kin Ngok, Peter	Nil	Nil	338,982,809 (Note)	Beneficial owner	338,982,809	54.93%

Note: The Company and its wholly-owned subsidiary beneficially owned 338,982,809 shares in CGL. Mr. Lam Kin Ngok, Peter was deemed to be interested in 338,982,809 shares in CGL by virtue of his 37.69% interest in the issued share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company were interested in the long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

So far as is known to the Directors, as at the Latest Practicable Date, the following persons, some of whom are Directors or chief executives of the Company, had an interest in the following long positions in the Shares and underlying Shares of equity derivatives of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (*Note 4*):

Name	Long Positions in the Shares		Number of Shares	Percentage
	Capacity	Nature (<i>Note 1</i>)		
Lam Kin Ngok, Peter	Beneficial owner	Personal and corporate	609,636,069	37.69% (<i>Note 2</i>)
U Po Chu	Beneficial owner	Personal and corporate	489,119,375	30.24% (<i>Note 2</i>)
Wisdoman Limited	Beneficial owner	Corporate	484,991,750	29.99%
Far East Consortium International Limited	Beneficial owner	Corporate	108,697,000	6.72% (<i>Note 3</i>)

Notes:

1. Personal and corporate denote personal interest and corporate interest respectively.
2. Mr. Lam Kin Ngok, Peter and Madam U Po Chu were deemed to be interested in 484,991,750 Shares each by virtue of their respective 50% interest in the issued share capital of Wisdoman Limited which directly owned 484,991,750 Shares in the Company.
3. Persons falling into the category of "Other Persons" in Practice Note 5 to the Listing Rules.
4. As at the Latest Practicable Date, as far as is known to the Directors, 中山市沙溪鎮經濟發展總公司 ("Zhongshan City Sha Xi County Economic Development Company") is interested in HK\$17,200,000 registered capital of Crocodile Garments (Zhong Shan) Limited, an indirect subsidiary of the Company, representing 10% of the total registered capital of that company.

4. OTHER DIRECTORS' INTEREST

(a) Service Contracts

As the Latest Practicable Date, there is no existing or proposed service contract of any Director with any member of the Group, which does not expire or is not determinable within one year without payment of compensation other than statutory compensation.

(b) Directors' Interests in Assets or Contracts

Save as disclosed below, none of the Directors have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31st July, 2005, being the date up to which the latest published audited consolidated accounts of the Group were made:

- (1) Crocodile Garments Limited ("CGL") as the tenant entered into a tenancy agreement dated 29th June, 2004 with Lai Sun Textiles Company Limited as the landlord (the "Landlord") for the premises known as unit 1B, whole of 2nd floor, units 402-3 and units 407-10, Park Sun Building, Nos. 97-107 Wo Yi Hop Road, Kwai Chung, New Territories (covering a gross floor area of approximately 60,400 square feet) (the "Building") for a fixed term of two years commencing from 1st July, 2004 at a monthly rental of HK\$169,120 (inclusive of management fee, rates and government rent).
- (2) CGL also entered into a license agreement dated 29th June, 2004 with the Landlord for car parking spaces in the Building for a period of two years at a license fee of HK\$7,500 per month.

The Directors who are interested in the issued share capital of Lai Sun Textiles Company Limited and their respective shareholdings are as follows: Madam U Po Chu (6.67%), Mr. Lam Kin Ngok, Peter (6.67%) and Mr. Lam Kin Ming (1.33%). Lai Sun Textiles Company Limited is also owned as to 6.67% and 78.67% by Madam Lam Shook Yue, Mabel and the estate of the late Mr. Lim Por Yen respectively.

At the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which was significant in relation to the business of the Group.

5. LITIGATION

As the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors which is pending or threatened against the Company or any of its subsidiaries.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practical Date, the following Directors are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules:—

Mr. Lam Kin Ming, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Mr. Lam Kin Hong, Matthew hold directorships and/or interests (either as beneficiaries or nominees) respectively in certain private companies (the “Private Companies”) which are engaged in property investment and development in Kwai Chung, Mongkok, To Kwa Wan and Cheung Sha Wan in Kowloon, Hong Kong.

The investment properties of the Group are situated in Kwun Tong, Tsimshatsui and Cheung Sha Wan in Kowloon, and in North Point in Hong Kong. The Group also holds a property under development in Shanghai. In view of the different location and different uses of the properties owned by the Private Companies and those of the Group, the Directors do not consider the personal interests held by the abovementioned Directors to compete in practice with those of the Group.

Mr. Lam Kin Ming, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Mr. Shiu Kai Wah hold directorships and/or interests (either as beneficiaries or nominees) in certain private companies which are engaged in related businesses (such as fabric dyeing and finishing) of the garment industry. In view of the different products, target clientele and the scale of operation of the private companies, the Directors consider that the interests of the abovementioned Directors as disclosed above do not compete with the principal activities of the Group, being garment manufacturing, trading and sale.

As the above Directors do not control a majority vote of the Board which comprises eleven directors, none of the above Directors can control the Board. The Group is, therefore, capable of carrying on its businesses independent of, and at arm’s length from, the businesses of the aforesaid private companies.

The Directors confirm that none of the above competing businesses will be injected into the Group.

7. GENERAL

- (a) The secretary of the Company is Mr. Yeung Kam Hoi, who is an Associate Member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and a member of Hong Kong Securities Institute.
- (b) The qualified accountant of the Company is Mr. Tse Kim Lun, who is a Fellow of the Association of Chartered Certified Accountants and a Fellow of the Hong Kong Institute of Certified Public Accountants.
- (c) The registered office and the head office of the Company are situated at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.
- (d) The Registrars of the Company is Tengis Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong whose address is the address of the transfer office of the Company.
- (e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.