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LAI SUN GARMENT

Lai Sun Garment (International) Limited
(Incorporated in Hong Kong with limited liability)

(Stock Code: 191)



LAI SUN DEVELOPMENT

Lai Sun Development Company Limited
(Incorporated in Hong Kong with limited liability)

(Stock Code: 488)

**JOINT ANNOUNCEMENT
DISCLOSEABLE TRANSACTION OF LSG
IN RELATION TO THE SALE OF LSD SHARES HELD BY LSG
BY WAY OF PLACING
AND
RESUMPTION OF TRADING**

This joint announcement is made by the LSD Board pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO and by the LSG Board pursuant to Chapter 14 of the Listing Rules.

On 16 August 2017, LSG as the Seller entered into the Secondary Block Trade Agreement with the Manager pursuant to which the Seller agreed to sell and the Manager agreed, as its agent, to procure on a best effort basis, subject to the terms and conditions of the Secondary Block Trade Agreement, purchasers to purchase up to 50,934,000 Sale Shares held by the Seller at the Placing Price of HK\$13.05 per Sale Share.

As one or more of the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules in relation to the Placing exceeds 5% but is less than 25%, the Placing constitutes a discloseable transaction of LSG under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Trading in the shares of LSD (Stock Code: 488, Temporary Stock Code until 4:00 p.m. on 18 September 2017: 2971) and the debt securities (Stock Code: 4591) issued by Lai Sun International Finance (2012) Limited and guaranteed by LSD; and the shares of LSG (Stock Code: 191, Temporary Stock Code until 4:00 p.m. on 18 September 2017: 2970) and the debt securities (Stock Code: 85986) issued by Lai Sun Garment International Finance (2014) Limited and guaranteed by LSG on the Stock Exchange was halted at the request of LSD and LSG, respectively, with effect from 11:04 a.m. on 16 August 2017 pending the release of this joint announcement. LSD and LSG have respectively applied to the Stock Exchange for the resumption of trading in such respective shares and debt securities on the Stock Exchange with effect from 9:00 a.m. on 17 August 2017.

INTRODUCTION

This joint announcement is made by the LSD Board pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO and by the LSG Board pursuant to Chapter 14 of the Listing Rules.

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The principal terms and conditions of the Secondary Block Trade Agreement are as follows:

THE SECONDARY BLOCK TRADE AGREEMENT

Date: 16 August 2017

Seller: LSG

Manager: CLSA Limited

To the best of the LSG Directors' knowledge, information and belief having made all reasonable enquiries, the Manager, the places of the Placing and their respective ultimate beneficial owners are third parties independent of LSG and the connected persons of LSG.

Sale Shares

As at the date of this joint announcement, the 50,934,000 Sale Shares represent approximately 8.42% of the issued share capital of LSD. The Sale Shares will be sold free from all pledges, liens, encumbrances, equities, security interests or other claims and rank *pari passu* with all of the other LSD Shares of the same class.

Placing Price

The Placing Price of HK\$13.05 per Sale Share represents:

- (a) a discount of approximately 10.0% to the closing price of HK\$14.50 per LSD Share as quoted on the Stock Exchange on 15 August 2017, being the date immediately preceding the date of this joint announcement; and
- (b) a discount of approximately 10.6% to the average closing price of approximately HK\$14.60 per LSD Share as quoted on the Stock Exchange for the last 5 trading days up to and including 15 August 2017, being the date immediately preceding the date of this joint announcement.

The Placing Price was determined after arm's length negotiations between the Seller and the Manager with reference to, among other things, the prevailing market price and the recent trading volume of the LSD Shares. The LSG Directors consider that the terms of the Secondary Block Trade Agreement (including the Placing Price) are fair and reasonable based on the current market conditions and in the interests of LSG and its shareholders as a whole.

Placing commission

The Manager will charge a placing commission equal to 1.25% of the aggregate value of such number of Sale Shares actually placed by the Manager at the Placing Price. Such placing commission was determined after arm's length negotiations between the Seller and the Manager with reference to, amongst other things, the market rate and the price performance of the Sale Shares. The LSG Directors consider that the placing commission is fair and reasonable, is in the interests of LSG and its shareholders as a whole and is in line with the prevailing commission charged by other placing agents.

Conditions precedent

The obligations of the Manager under the Secondary Block Trade Agreement shall be subject to the following conditions:

- (a) before the Completion, there shall not have occurred:
 - a. any material adverse change, or any development reasonably likely to involve a material adverse change, in the condition, financial or otherwise, or in the earnings, assets, business, operations or prospects of LSD, or the LSD Group taken as a whole;

- b. any suspension or limitation of trading (a) in any of the LSD securities by the Stock Exchange other than a suspension in connection with the Placing, or (b) generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, the London Stock Exchange, the New York Stock Exchange, the Nasdaq National Market or the Singapore Stock Exchange other than as a result of a typhoon or rainstorm;
- c. any outbreak or escalation of hostilities or act of terrorism involving Hong Kong, the PRC, Japan, Singapore, the United States or the United Kingdom, or the declaration by Hong Kong, the PRC, Japan, Singapore, the United States or the United Kingdom of a national emergency or war or other calamity or crisis;
- d. any material disruption in commercial banking or securities settlement or clearance services in Hong Kong, the PRC, Japan, Singapore, the United States or the United Kingdom and/or a general moratorium on commercial banking activities having been declared by the relevant authorities in Hong Kong, the PRC, Japan, Singapore, the United States or the United Kingdom;
- e. any material adverse change or development reasonably likely to involve a prospective material adverse change in or affecting the financial markets in Hong Kong, the PRC, Japan, Singapore, the United States or the United Kingdom or in international financial, political or economic conditions, currency exchange rates, exchange controls or taxation,

that, in the sole judgment of the Manager, would make the placement of the Sale Shares or the enforcement of contracts to purchase the Sale Shares impracticable or inadvisable, or would materially prejudice trading of the Sale Shares in the secondary market;

- (b) the Seller's representations and warranties made pursuant to the Secondary Block Trade Agreement being true and accurate and not misleading as of the date of the Secondary Block Trade Agreement and the Closing Date;
- (c) the Seller having complied with all of the agreements and undertakings and satisfied all of the conditions on its part to be complied with or satisfied under the Secondary Block Trade Agreement on or before the Closing Date; and
- (d) the Manager having received on the Closing Date an opinion from each of the U.S. counsel to the Seller and the U.S. counsel to the Manager.

The Seller shall use its reasonable endeavours to procure the fulfilment of the foregoing conditions on or before the Closing Date. The Manager in its sole discretion may waive any of the foregoing conditions, in whole or in part and with or without conditions, by notice to the Seller.

In the event that (i) any of the events set out in paragraph (a) occurs at any time between the date of the Secondary Block Trade Agreement and the Closing Date, or (ii) the Seller does not deliver the Sale Shares on the Closing Date, or (iii) any of conditions set out in paragraph (a) to (d) has not been satisfied or waived, the Manager may elect in its sole discretion to terminate the Secondary Block Trade Agreement.

Completion

Completion shall take place on 21 August 2017 or at such other time and/or date as the Seller and the Manager agree (“**Closing Date**”).

Lock-up

Pursuant to the Secondary Block Trade Agreement, the Seller shall not, and shall procure that none of its nominees, any person controlled by it, any trust associated with it or any person acting on its or their behalf shall, without the prior written consent of the Manager, (i) offer, sell, lend, contract to sell, pledge, grant any option over or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Seller or any of its affiliates, or any person in privity with the Seller or any of its affiliates), directly or indirectly, any LSD Shares or equity securities of LSD or any securities convertible into, or exercisable, or exchangeable for, equity securities of LSD, (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such LSD Shares or equity securities, whether any such transaction described in (i) or (ii) above is to be settled by delivery of LSD Shares or such other securities, in cash or otherwise, or (iii) publicly announce an intention to effect any such transaction, for a period beginning on the date of Secondary Block Trade Agreement and ending on the date which is 90 days after the Closing Date. The foregoing shall not apply to the sale of the LSD Shares under this Secondary Block Trade Agreement.

PROCEEDS FROM THE PLACING

Assuming all the Sale Shares have been placed, the gross proceeds of the Placing will be approximately HK\$664.7 million and the net proceeds will be approximately HK\$656.0 million (after deduction of placing commission and other expenses of the Placing). On such basis, the net selling price of the Sale Shares will be approximately HK\$12.88 per Sale Share.

The net proceeds are intended to be applied for the forthcoming repayment of LSG’s debt obligations in the near term. The proceeds from the Placing will be settled in cash.

REASONS FOR THE PLACING

The LSG Board is of the view that the Placing represents an opportunity to raise capital and will enhance the cash position and working capital of LSG. The LSG Board considers that the terms of the Secondary Block Trade Agreement are fair and reasonable and the transactions contemplated therein are in the interests of LSG and its shareholders as a whole.

INFORMATION OF THE LSG GROUP AND THE LSD GROUP

LSG is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activities of the LSG Group include property investment, property development, investment in and operation of hotels and restaurants and investment holding. LSG owns approximately 61.74% of the total issued shares of LSD as at the date of this joint announcement.

LSD is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activities of the LSD Group include property investment, property development, investment in and operation of hotels and restaurants and investment holding.

According to the published financial statements of LSD, the audited consolidated financial information of the LSD Group for the two financial years ended 31 July 2016 and the unaudited consolidated financial information of the LSD Group for the six months ended 31 January 2017 are as follows:

	For the six months ended 31 January 2017 (unaudited) HK\$'000	For the financial year ended 31 July 2016 (audited) HK\$'000	For the financial year ended 31 July 2015 (audited) HK\$'000
Profit before taxation and extraordinary items	976,161	1,237,457	2,127,891
Profit after taxation and extraordinary items	932,508	1,179,766	2,048,494
Net asset value	25,590,171	24,891,850	23,103,574

FINANCIAL IMPLICATIONS OF THE PLACING

As at the date of the joint announcement, LSG holds 373,536,572 LSD Shares, through itself and two of its wholly-owned subsidiaries, namely Joy Mind Limited and Zimba International Limited, representing approximately 61.74% of the issued share capital of LSD. Assuming all of the 50,934,000 LSD Shares are placed out and there will be no change in the issued share capital of LSD between the date of this joint announcement and Completion, upon Completion, the number of LSD Shares held by LSG, through itself and its two wholly-owned subsidiaries, will decrease to 322,602,572 LSD Shares, representing approximately 53.32% of the issued share capital of LSD, and LSD will remain as a subsidiary of LSG. As the change in LSG's interest in LSD will not result in loss of control in LSD, according to the prevailing accounting standards, no gain or loss will be recognised in LSG's consolidated income statement as a result of the disposal of Sale Shares arising from the Placing. The movement in the consolidated net assets of LSG arising from the Placing will be dealt with in the equity of LSG. The above accounting treatment will be subject to review by the independent auditors of LSG and the actual amount shall be determined after the Completion.

The LSD Board does not expect the sale of the Sale Shares by the Seller to have any significant impact on the business operations of the LSD Group. Save as disclosed above, LSD was not informed of any other substantial change in shareholdings as at the date of this joint announcement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules in relation to the Placing exceeds 5% but is less than 25%, the Placing constitutes a discloseable transaction of LSG under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

RESUMPTION OF TRADING

Trading in the shares of LSD (Stock Code: 488, Temporary Stock Code until 4:00 p.m. on 18 September 2017: 2971) and the debt securities (Stock Code: 4591) issued by Lai Sun International Finance (2012) Limited and guaranteed by LSD; and the shares of LSG (Stock Code: 191, Temporary Stock Code until 4:00 p.m. on 18 September 2017: 2970) and the debt securities (Stock Code: 85986) issued by Lai Sun Garment International Finance (2014) Limited and guaranteed by LSG on the Stock Exchange was halted at the request of LSD and LSG, respectively, with effect from 11:04 a.m. on 16 August 2017 pending the release of this joint announcement. LSD and LSG have respectively applied to the Stock Exchange for the resumption of trading in such respective shares and debt securities on the Stock Exchange with effect from 9:00 a.m. on 17 August 2017.

Shareholders and potential investors of each of LSG and LSD are advised to exercise caution when dealing in the securities of the respective companies.

DEFINITIONS

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

“Closing Date”	has the meaning given to it under the section headed “Completion” of this joint announcement;
“Companies Ordinance”	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
“Completion”	the completion of the Placing under the Secondary Block Trade Agreement;
“connected person(s)”	has the meaning given to it under the Listing Rules;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time);

“LSD”	Lai Sun Development Company Limited (麗新發展有限公司), a company incorporated in Hong Kong with limited liability under the Companies Ordinance, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 488);
“LSD Board”	the board of LSD Directors;
“LSD Directors”	the directors of LSD;
“LSD Group”	LSD and its subsidiaries;
“LSD Shares”	share(s) in the share capital of LSD;
“LSG” or “Seller”	Lai Sun Garment (International) Limited (麗新製衣國際有限公司), a company incorporated in Hong Kong with limited liability under the Companies Ordinance, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 191) and is the ultimate holding company of LSD;
“LSG Board”	the board of LSG Directors;
“LSG Directors”	the directors of LSG;
“LSG Group”	LSG and its subsidiaries, including the LSD Group;
“Main Board”	has the meaning given to it under the Listing Rules;
“Manager”	CLSA Limited (中信里昂證券有限公司), a company registered in Hong Kong with limited liability;
“percentage ratio(s)”	has the meaning given to it under the Listing Rules;
“Placing”	the placing of the Sale Shares pursuant to the Secondary Block Trade Agreement;
“Placing Price”	the placing price of HK\$13.05 per Sale Share;
“PRC”	the People’s Republic of China;
“Sale Shares”	up to 50,934,000 LSD Shares to be sold by the Seller pursuant to the Secondary Block Trade Agreement;
“Secondary Block Trade Agreement”	the secondary block trade agreement dated 16 August 2017 and entered into between the Seller and the Manager in relation to the Placing;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

“Stock Exchange” The Stock Exchange of Hong Kong Limited;
“U.S.” the United States of America; and
“%” per cent.

By order of the Board
Lai Sun Garment (International) Limited
Chew Fook Aun
Executive Director and Deputy Chairman

By order of the Board
Lai Sun Development Company Limited
Lam Kin Ngok, Peter
Chairman

Hong Kong, 16 August 2017

As at the date of this joint announcement,

- (a) *the LSG Board comprises six executive directors, namely Dr. Lam Kin Ming (Chairman), Dr. Lam Kin Ngok, Peter (Deputy Chairman), Mr. Chew Fook Aun (Deputy Chairman), Madam U Po Chu, Mr. Lam Kin Hong, Matthew and Mr. Lam Hau Yin, Lester (also alternate to Madam U Po Chu); and three independent non-executive directors, namely Messrs. Leung Shu Yin, William, Lam Bing Kwan and Chow Bing Chiu; and*
- (b) *the LSD Board comprises four executive directors, namely Dr. Lam Kin Ngok, Peter (Chairman) and Messrs. Chew Fook Aun (Deputy Chairman), Lau Shu Yan, Julius (Chief Executive Officer) and Lam Hau Yin, Lester; two non-executive directors, namely Dr. Lam Kin Ming and Madam U Po Chu; and three independent non-executive directors, namely Messrs. Lam Bing Kwan, Leung Shu Yin, William and Ip Shu Kwan, Stephen.*