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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
PROPOSED ACQUISITION OF 100% INTEREST IN
INTERCONTINENTAL DEVELOPMENT AND SERVICES LIMITED**

The LSD Board and the LSG Board are pleased to announce that on 5 July 2013, LSD as purchaser entered into the Agreement with KHAL, LHL and KIGHL, pursuant to which KHAL and LHL have conditionally agreed to procure KIGHL to sell, and KIGHL has conditionally agreed to sell, to LSD (a) the Sale Shares; and (b) the Shareholder Loans (if any) for a total consideration of HK\$130 million. Upon Completion, IDSL will become 100% beneficially owned by LSD.

IDSL owns the Properties, which comprise two floors of Wyler Centre, Phase II, 192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong with aggregate gross floor areas of approximately 51,000 square feet and three parking spaces, and has been providing management services to the Seller's Group. Prior to Completion, IDSL will undergo the Reorganisation so that upon completion of the Reorganisation and immediately prior to Completion, IDSL will become a property holding company whose principal assets are the Properties and the fixtures and fittings of the Properties.

LSD has become a subsidiary of LSG on account of the early adoption of HKFRS 10 "Consolidated Financial Statements" by the LSG Board in 2012. As one of the applicable Percentage Ratios for LSG exceeds 5% but is less than 25%, the Proposed Acquisition constitutes a discloseable transaction for LSG under Chapter 14 of the Listing Rules and is therefore subject to the notification and publication requirements as set out in Chapter 14 of the Listing Rules.

As none of the applicable Percentage Ratios for LSD exceeds 5%, the Proposed Acquisition does not constitute a notifiable transaction for LSD and is therefore not subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

PROPOSED ACQUISITION

The LSD Board and the LSG Board are pleased to announce that on 5 July 2013, LSD as purchaser entered into the Agreement with KHAL, LHL and KIGHL, pursuant to which KHAL and LHL have

conditionally agreed to procure KIGHL to sell, and KIGHL has conditionally agreed to sell, to LSD (a) the Sale Shares; and (b) the Shareholder Loans (if any) for a total consideration of HK\$130 million. Upon Completion, IDSL will become 100% beneficially owned by LSD.

Details of the Agreement are as follows:

Date

5 July 2013

Parties

- (a) KHAL and LHL as sellers;
- (b) KIGHL; and
- (c) LSD as purchaser.

As at the date of this joint announcement, KIGHL is legally and beneficially owned as to 70% by KHAL and 30% by LHL. To the best of the LSD Directors' knowledge, information and belief having made all reasonable enquiries, KHAL, LHL and KIGHL and their respective ultimate beneficial owners are independent of LSD and its connected persons. To the best of the LSG Directors' knowledge, information and belief having made all reasonable enquiries, KHAL, LHL and KIGHL and their respective ultimate beneficial owners are independent of LSG and its connected persons.

Assets to be acquired

The assets to be acquired are the Sale Shares, representing 100% of the entire issued share capital of IDSL, and the Shareholder Loans (if any). Upon Completion, LSD will nominate one of its wholly-owned subsidiaries to acquire the Sale Shares and the Shareholder Loans (if any), and IDSL will become an indirect wholly-owned subsidiary of LSD and an indirect non wholly-owned subsidiary of LSG.

Consideration

The Consideration for the Sale Shares and the Shareholder Loans (if any) will be HK\$130 million, of which an amount equal to the amount of the Shareholder Loans outstanding as at Completion (on a dollar-for-dollar basis) shall be the consideration payable for the Shareholder Loans and the balance of the Consideration shall be the consideration payable for the Sale Shares. The Consideration will be satisfied in cash upon Completion.

As at the date of the Agreement, LSD has paid the Deposit of HK\$6.5 million to the Escrow Agent. Upon Completion, the Parties will instruct the Escrow Agent to release the KHAL Deposit and the LHL Deposit to KHAL and LHL, respectively, and LSD shall pay (i) 70% of the Final Payment (being the Consideration less the Deposit) directly to KHAL; and (ii) 30% of the Final Payment directly to LHL.

The Consideration was determined after arm's length negotiations between the Parties with reference to the valuation of the Properties as at 28 June 2013 of HK\$130 million carried out by an independent valuer. The LSD Directors and the LSG Directors consider that the terms and conditions of the Proposed Acquisition, including the Consideration, are fair and reasonable and in the interests of LSD and LSG and their respective shareholders as a whole.

The Consideration to be paid by LSD to the Sellers will be financed by internal resources of the LSD Group.

Conditions precedent to Completion

Completion of the Proposed Acquisition is subject to, among others, the following conditions having been fulfilled or waived:

- (1) on or prior to the date of the Completion, the Reorganisation having been completed;
- (2) each of the warranties given by the Sellers under the Agreement remaining true, correct and complete in all material respects as of the date of the Agreement and at Completion;
- (3) each of the warranties given by LSD under the Agreement remaining true, correct and complete in all material respects as of the date of the Agreement and at Completion;
- (4) there being no governmental authority or other person that has commenced or instituted any legal proceedings, arbitration or regulatory proceedings or inquiry against IDSL to restrain, prohibit or otherwise challenge any of the transactions contemplated under the Agreement; and
- (5) there being no governmental authority that has enacted any statute or regulation which would prohibit, materially restrict or materially delay implementation of any of the transactions contemplated under this Agreement or the operation of IDSL as a whole.

LSD may in its absolute discretion waive either in whole or in part any of the above conditions precedent (other than condition precedents (1) and (3)). The Sellers may in its absolute discretion waive either in whole or in part condition precedent (3) above. The Parties may by mutual consent in writing waive either in whole or in part at any time condition precedent (1) above.

In the event that any of the conditions precedent shall not have been fulfilled (or waived pursuant to the Agreement) prior to the Long Stop Date otherwise than due to the default or deliberate inaction of LSD, LSD shall not be bound to proceed with the purchase of any of the Sale Shares and the Shareholder Loans (if any) and shall be entitled to terminate the Agreement, in which case the Deposit shall be refunded to LSD and save for any antecedent breach, none of the Parties shall have any further claim against any other Parties.

If any of the conditions precedent shall not have been fulfilled prior to the Long Stop Date due to the default or deliberate inaction of LSD, the Parties shall instruct the Escrow Agent to release the KHAL Deposit and the LHL Deposit to KHAL and LHL, respectively.

Reorganisation

The Sellers shall procure IDSL to complete all matters prior to Completion which are necessary to ensure that immediately before Completion, among other things:

- (a) the restructuring of IDSL be completed in accordance with all applicable laws such that, among other things, all the business operations and assets (other than the Properties and the other assets ancillary to the ownership of the Properties) of IDSL and the employees and all personnel employed by IDSL as at the date of the Agreement will be transferred and/or assigned to KIGHL or its subsidiaries; and

- (b) there is no indebtedness owed by IDSL to KIGHL, the Sellers or the Seller's Group, other than the Shareholder Loans (if any) and any tax liabilities of IDSL as referred to in the management accounts of IDSL as at, and for the 4-month period which ended on, 30 April 2013.

Completion

Completion will take place as soon as practicable after the date of actual fulfilment of condition precedent (1) (or such later date as may be agreed in writing between the Parties).

INFORMATION ON IDSL

IDSL is a company incorporated in Hong Kong with limited liability, and is wholly-owned by KIGHL. It owns the Properties, which comprise two floors of Wyler Centre, Phase II, 192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong with aggregate gross floor areas of approximately 51,000 square feet and three parking spaces, and has been providing management services to the Seller's Group. As disclosed above, IDSL will undergo the Reorganisation prior to Completion so that upon completion of the Reorganisation and immediately prior to Completion, IDSL will become a property holding company whose principal assets are the Properties and the fixtures and fittings of the Properties.

Set out below is the financial information of IDSL for the years ended 31 December 2011 and 2012, respectively, which were prepared in accordance with the HKFRS:

	Year ended 31 December	
	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit before tax	698	1,870
Net profit after tax	401	1,462

The net asset value of IDSL as at 31 December 2012 was approximately HK\$4,146,000.

INFORMATION ON THE SELLERS AND KIGHL

KHAL is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of KADOKAWA Corporation which is listed on the Tokyo Stock Exchange, Inc.. It is principally engaged in the publishing of a variety of books and magazines as well as the production of movies, videos, game software and internet /digital products.

LHL is an investment holding company incorporated in the Cayman Islands with limited liability.

KIGHL is an investment holding company incorporated in the Cayman Islands with limited liability.

INFORMATION ON LSD AND LSG

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 development and investment, investment in and operation of hotels and restaurants and investment holding.

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 development, property investment in and operation of hotels and restaurants and investment holding. LSG owns approximately 49.97% of the total issued shares of LSD.

REASONS FOR, AND THE BENEFITS OF, THE PROPOSED ACQUISITION

In line with the core businesses of the LSD Group and the LSG Group, the Properties being acquired would add to the LSD Group's investment property portfolio to generate incremental recurring income to the LSD Group and the LSG Group.

Having taken into account the above reasons and benefits, the LSD Board and the LSG Board are of the view that the terms and conditions of the Agreement are fair and reasonable and the Proposed Acquisition is conducted under normal commercial terms and is in the interests of LSD and LSG and their respective shareholders as a whole.

LISTING RULES IMPLICATIONS

LSD has become a subsidiary of LSG on account of the early adoption of HKFRS 10 "Consolidated Financial Statements" by the LSG Board in 2012. As one of the applicable Percentage Ratios exceeds 5% but is less than 25% for LSG, the Proposed Acquisition constitutes a discloseable transaction for LSG under Chapter 14 of the Listing Rules and is therefore subject to the notification and publication requirements as set out in Chapter 14 of the Listing Rules.

As none of the applicable Percentage Ratios exceeds 5% for LSD, the Proposed Acquisition does not constitute a notifiable transaction for LSD and is therefore not subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this joint announcement, unless the context otherwise requires, the following terms have the meanings set opposite them below:

"Agreement"	the agreement dated 5 July 2013 entered into between LSD as purchaser, the Sellers and KIGHL in relation to the Proposed Acquisition;
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong and Tokyo;
"Completion"	completion of the Proposed Acquisition;
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules;
"Consideration"	HK\$130 million, the sale and purchase price of the Sale Shares and the Shareholder Loans (if any);

“Deposit”	HK\$6.5 million (together with the interest accrued thereon) deposited by LSD with the Escrow Agent;
“Escrow Agent”	an independent escrow agent jointly appointed by the Sellers and LSD;
“Final Payment”	an amount equivalent to the Consideration less the Deposit;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“IDSL”	Intercontinental Development and Services Limited, a company incorporated in Hong Kong with limited liability;
“KHAL”	Kadokawa Holdings Asia Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of KADOKAWA Corporation which is listed on the Tokyo Stock Exchange Inc.;
“KHAL Deposit”	70% of the Deposit;
“KIGHL”	Kadokawa Intercontinental Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and owned as to 70% by KHAL and 30% by LHL;
“LHL”	Lai’s Holdings Limited, a company incorporated in the Cayman Islands with limited liability;
“LHL Deposit”	30% of the Deposit;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Long Stop Date”	30 November 2013, or such later date as may be agreed in writing by the Parties;
“LSD”	Lai Sun Development Company Limited, 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 (Stock Code: 488);
“LSD Board”	the board of LSD Directors;

“LSD Directors”	the directors of LSD;
“LSD Group”	LSD and its subsidiaries;
“LSG”	Lai Sun Garment (International) Limited, 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 (Stock Code: 191);
“LSG Board”	the board of LSG Directors;
“LSG Directors”	the directors of LSG;
“LSG Group”	LSG and its subsidiaries, including the LSD Group;
“Parties”	collectively, LSD, KIGHL and the Sellers, and a “Party” shall mean any of them;
“Percentage Ratio(s)”	has the meaning ascribed thereto in Rule 14.07 of the Listing Rules;
“Properties”	20 th Floor and 27 th Floor and parking spaces numbered P17, P18 and P59 on the 2 nd Floor of Wyler Centre, Phase II, 192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong;
“Proposed Acquisition”	the purchase by LSD of the Sale Shares and the Shareholder Loans (if any) from the Sellers and KIGHL subject to the terms and conditions of the Agreement;
“Reorganisation”	the reorganisation of IDSL prior to Completion as contemplated under the Agreement, the details of which are set out in the paragraph headed “Reorganisation” of this joint announcement;
“Sale Shares”	30,000 ordinary shares with par value of HK\$10 each in the share capital of IDSL, representing the entire issued share capital of IDSL;
“Sellers”	collectively, KHAL and LHL, and a “Seller” shall mean any of them;
“Seller’s Group”	in relation to each Seller, the group of companies comprising such Seller, any holding company from time to time of such Seller and any subsidiary of such Seller (excluding IDSL) or of any such holding company;

“Shareholder Loans”	(a) all loans and other advances made by any one of the Sellers and/or the Seller’s Group to IDSL from time to time and (b) all amounts due from IDSL to the Sellers and/or the Seller’s Group from time to time, and which remain outstanding immediately prior to Completion;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

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

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

Hong Kong, 5 July 2013

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 Hau Yin, Lester (also alternate to Madam U Po Chu) and Mr. Lam Kin Hong, Matthew; and three independent non-executive directors, namely, Messrs. Chow Bing Chiu, Lam Bing Kwan and Leung Shu Yin, William;*
- (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.*