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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 IN RELATION TO DEEMED DISPOSAL OF INTERESTS

ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT TO THE SUBSCRIPTION AGREEMENT

Reference is made to the joint announcement of the Company and LSG dated 12 August 2021 (the “**Announcement**”) relating to, among other things, the Subscription Agreement. Terms used herein shall have the same meanings as defined in the Announcement unless otherwise stated.

THE SUPPLEMENTAL AGREEMENT

The Board announces that, on 27 August 2021 (after trading hours), the Company, the Subscriber and the Manager entered into a deed of variation to the Subscription Agreement (the “**Supplemental Agreement**”), to amend the terms thereto as follows: -

- (i) to revise the number of the Subscription Shares with the Subscription Share Price remains unchanged; and
- (ii) to revise the payment terms of the Subscription Consideration.

Details of the Supplemental Agreement are set out below.

THE SUPPLEMENTAL AGREEMENT

Date: 27 August 2021

Parties:

- (i) the Company;
- (ii) the Subscriber; and
- (iii) the Manager.

Revised Subscription Shares

Subject to and in accordance with the terms and conditions of the Subscription Agreement (as amended and varied by the Supplemental Agreement), the number of Subscription Shares has been revised from the original 67,669,800 new Shares, representing approximately 11.06% of the total number of Shares in issue as at the date of the Announcement and approximately 9.95% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares, to 33,834,900 new Shares (the “**Revised Subscription Shares**”), representing approximately 5.53% of the total number of Shares in issue as at the date of this joint announcement and approximately 5.24% of the total number of issued Shares as enlarged by the allotment and issue of the Revised Subscription Shares.

The Revised Subscription Shares will be issued under the General Mandate. The Revised Subscription Shares shall, when fully paid, rank *pari passu*, in all respects with all the other Shares in issue on or prior to the date of allotment of the Revised Subscription Shares.

The Company has made an application to the Listing Committee for the listing of, and permission to deal in, the Revised Subscription Shares.

Revised payment terms of the Subscription Consideration

The parties have agreed to revise the payment terms such that the entire consideration of HK\$235,152,555 for the Revised Subscription Shares shall be settled entirely in cash by the Subscriber on completion of the subscription of the Revised Subscription Shares (the “**New Subscription Completion**”).

Conditions of the Subscription

According to the Subscription Agreement, if the conditions are not fulfilled within five calendar days after the date of the Subscription Agreement, or such later date as may be agreed among the parties (the “**Long Stop Date**”), the obligations and liabilities of the Subscriber, the Manager and the Company under the Subscription Agreement shall be null and void and neither the Company nor the Subscriber nor the Manager shall have any claim against the other for costs, damages, compensation or otherwise. The Long Stop Date has been lengthened to within 18 calendar days after the date of the Subscription Agreement, or such later date as may be agreed among the parties.

The New Subscription Completion

Pursuant to the Subscription Agreement, the Subscription Completion shall take place no later than six calendar days after the date of the Subscription Agreement. As amended and varied by the Supplemental Agreement, the New Subscription Completion shall take place on the same or following Business Day after the date upon which the last of the conditions described above shall have been so satisfied, provided that it shall take place no later than 19 calendar days after the date of the Subscription Agreement (or such other time and/or date as the Company, the Subscriber and the Manager may agree in writing and in compliance with the Listing Rules).

Save for the above amendments, all the terms and conditions of the Subscription Agreement shall remain unchanged, and the Subscription Agreement shall be read and construed together with the amendment and/or variation contained in the Supplemental Agreement and shall continue to be binding and effective.

EFFECT OF THE NEW SUBSCRIPTION COMPLETION ON SHAREHOLDINGS IN THE COMPANY

For illustration purposes only, set out below is the shareholding structure of the Company (i) as at the date of this joint announcement; and (ii) as at the date of the New Subscription Completion:

	As at the date of this joint announcement		As at the date of the New Subscription Completion	
	No. of issued Shares	Approx. % (Note 1)	No. of issued Shares	Approx. %
Non-public Shareholders				
LSG ^(Note 2)	343,593,021	56.13	343,593,021	53.19
Dr. Peter Lam ^(Note 2)	433,737	0.07	433,737	0.07
Mr. Chew Fook Aun ^(Note 3)	1,221,000	0.20	1,221,000	0.19
Mr. Lau Shu Yan, Julius ^(Note 4)	263,500	0.04	263,500	0.04
Madam U ^(Note 5)	26,919	0.004	26,919	0.004
Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk ^(Note 6)	167,009,100	27.29	167,009,100	25.86
Public Shareholders				
The Subscriber	259,500	0.04	34,094,400	5.28
Others	99,282,248	16.22	99,282,248	15.37
Total	612,089,025	100.00	645,923,925	100.00

Notes:

- (1) The percentage has been compiled based on the total number of issued Shares as at the date of this joint announcement (i.e. 612,089,025 Shares).

- (2) *Among the 344,026,758 Shares, 343,593,021 Shares were directly held by LSG and two of its wholly-owned subsidiaries and 433,737 Shares were held personally by Dr. Peter Lam. Dr. Peter Lam was deemed to be interested in the 343,593,021 Shares by virtue of, in aggregate, his personal and deemed interests (excluding share options) of approximately 41.89% in the issued share capital of LSG. LSG is approximately 12.66% owned by Dr. Peter Lam (excluding share options) and is approximately 29.23% owned by Wisdoman Limited which in turn is 100% beneficially owned by Dr. Peter Lam.*
- (3) *The 1,221,000 Shares were owned by The Orchid Growers Association Limited. By virtue of his 100% interest in the issued share capital of The Orchid Growers Association Limited, Mr. Chew Fook Aun was deemed to be interested in these 1,221,000 Shares. Mr. Chew Fook Aun is an executive Director.*
- (4) *Mr. Lau Shu Yan, Julius is an executive Director.*
- (5) *Madam U is the widow of the late Mr. Lim Por Yen whose estate includes an interest of 3,957,189 Shares, representing approximately 0.65% of the total number of issued Shares.*
- (6) *Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk jointly held 167,009,100 Shares (representing approximately 27.29% of the total number of issued Shares) according to the Individual Substantial Shareholder Notice (Form 1) filed with the Stock Exchange on 20 August 2021.*

Financial impact of the subscription of the Revised Subscription Shares (the “New Subscription”) to LSG

Immediately after the New Subscription Completion, LSG’s interest in the Company will reduce from approximately 56.13% to approximately 53.19% and the change in the ownership interest in the Company will not result in loss of control. Therefore, the deemed disposal of LSG’s interest in the Company pursuant to Rule 14.29 of the Listing Rules upon the New Subscription Completion (“**Revised Deemed Disposal**”) will be accounted for as an equity transaction of the LSG Group. The assets, liabilities and financial results of the Company will continue to be included in the consolidated financial statements of the LSG Group, and it will not result in the recognition of any gain or loss in the consolidated income statement of the LSG Group.

USE OF PROCEEDS OF THE NEW SUBSCRIPTION

The gross proceeds from the New Subscription will be revised to HK\$235.2 million, as opposed to HK\$470.3 million as disclosed in the Announcement. The net proceeds from the New Subscription (after deducting the expenses incurred in the New Subscription) will be revised from HK\$470.0 million to HK\$234.9 million. The net price of each Revised Subscription Share is approximately HK\$6.94.

The Company intends to apply the entire net proceeds from the New Subscription for repayment of certain bank borrowings subject to the Group’s operating needs.

LISTING RULES IMPLICATIONS FOR THE COMPANY

The issue of the Revised Subscription Shares will be made pursuant to the General Mandate granted to the Directors by the Shareholders at the AGM subject to a limit of up to 20% of the total number of issued Shares as at the date of the AGM (i.e. 122,417,805 Shares, representing approximately 20.0% of 612,089,025 Shares in issue as at the date of the AGM). Accordingly, the allotment and issue of the Revised Subscription Shares will not be subject to Shareholders’ approval. Up to the date of this joint announcement, the General Mandate has not been utilised. The issue of the Revised Subscription Shares will utilise approximately 27.6% of the General Mandate.

LISTING RULES IMPLICATIONS FOR LSG

Upon the New Subscription Completion, LSG's interest in the Company will be diluted to approximately 53.19%. As such, the New Subscription will constitute a Revised Deemed Disposal pursuant to Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio (as defined in Chapter 14 of the Listing Rules) in respect of the Revised Deemed Disposal exceeds 5% but is less than 25%, the Revised Deemed Disposal constitutes a discloseable transaction of LSG under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Completion of the New Subscription is subject to the fulfillment of the conditions precedent set out in the Subscription Agreement (as supplemented by the Supplemental Agreement) and therefore the New Subscription may or may not proceed to the New Subscription Completion. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

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
Chew Fook Aun
Executive Director and Deputy Chairman

Hong Kong, 27 August 2021

As at the date of this joint announcement,

- (a) *the board of the directors of LSG comprises five executive directors, namely Dr. Lam Kin Ngok, Peter (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 Board comprises five executive Directors, namely Dr. Lam Kin Ngok, Peter (Chairman) and Messrs. Chew Fook Aun (Deputy Chairman), Lau Shu Yan, Julius (Chief Executive Officer), Lam Hau Yin, Lester (also alternate to Madam U Po Chu) and Tham Seng Yum, Ronald; one non-executive director, namely Madam U Po Chu; and four independent non-executive directors, namely Messrs. Lam Bing Kwan, Leung Shu Yin, William, Ip Shu Kwan, Stephen and Leung Wang Ching, Clarence.*