
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in **Lai Sun Development Company Limited**, you should at once hand this circular with the accompanying form of election to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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LAI SUN DEVELOPMENT

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

(Stock Code: 488)

Executive Directors:

Dr. Lam Kin Ngok, Peter (*Chairman*)
Mr. Chew Fook Aun (*Deputy Chairman*)
Mr. Lau Shu Yan, Julius (*Chief Executive Officer*)
Mr. Lam Hau Yin, Lester

Non-executive Directors:

Dr. Lam Kin Ming
Madam U Po Chu

Independent Non-executive Directors:

Mr. Ip Shu Kwan, Stephen
Mr. Lam Bing Kwan
Mr. Leung Shu Yin, William

Registered Office:

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

4 January 2017

To the Shareholders

Dear Sir or Madam,

SCRIP DIVIDEND SCHEME IN RELATION TO THE FINAL DIVIDEND FOR THE YEAR ENDED 31 JULY 2016

1. INTRODUCTION

On 16 December 2016, the shareholders (“**Shareholder(s)**”) of Lai Sun Development Company Limited (“**Company**”) have upon the recommendation of the board of directors (“**Board**”) of the Company approved at the annual general meeting of the Company the distribution of a final dividend of HK\$0.0019 per share in the share capital of the Company (“**Share(s)**”) for the year ended 31 July 2016 (“**Final Dividend**”) to the Shareholders whose names appear on the register of members of the Company (“**Register of Members**”) at the close of business on Friday, 23 December 2016 (“**Record Date**”).

The Shareholders are provided with an option to receive the Final Dividend in form of new fully paid Shares (“**Scrip Shares**”), in lieu of cash (“**Scrip Dividend Scheme**”). The procedures which apply in relation to the Scrip Dividend Scheme and the action which should be taken by the Shareholders in relation thereto are set out hereunder for the Shareholders’ attention. Please read carefully the instructions hereunder and the instructions on the form of election in relation to the Scrip Dividend Scheme for Final Dividend (“**Election Form**”) enclosed with this circular.

Whether or not it is to your advantage to elect to receive Scrip Shares in lieu of cash, in whole or in part, for the Final Dividend will depend on your own individual circumstances and the decision in this regard, and all effects resulting therefrom, will be your sole responsibility. If you are in doubt as to what to do, you should consult your professional advisers.

2. PARTICULARS OF THE SCRIP DIVIDEND SCHEME FOR FINAL DIVIDEND

Under the Scrip Dividend Scheme, the Shareholders have the following choices in respect of the Final Dividend for the existing Shares registered in their names on the Record Date:

- (i) a cash dividend of HK\$0.0019 for each Share; or
- (ii) an allotment of Scrip Shares (the number of which is determined by methods set out below); or
- (iii) partly in cash and partly in form of Scrip Shares.

The Scrip Shares will, on issue, rank *pari passu* in all other respects with the existing issued Shares save that they will not be eligible for the Final Dividend. The Scrip Shares will be issued by way of capitalisation of the Company’s reserves or profits and are not renounceable.

For the purpose of calculating the number of Scrip Shares to be issued pursuant to the Scrip Dividend Scheme for Final Dividend, the market value of a Scrip Share has been fixed at HK\$0.1458, which is the average closing price of the Share (“**Average Closing Price**”) as quoted on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) for the five consecutive trading days up to and including the Record Date.

Accordingly, the number of the Scrip Shares which Shareholders will receive in respect of the Final Dividend for existing Shares registered in their names on the Record Date will be calculated as follows:

$$\begin{array}{rcccl} \text{Number of} & & \text{Number of existing Shares} & & \text{HK\$0.0019} \\ \text{Scrip Shares} & & \text{held on the Record Date} & & \text{(Final Dividend per Share)} \\ \text{to be received} & = & \text{for which election for} & \times & \frac{\text{HK\$0.1458}}{\text{(Average Closing Price)}} \\ & & \text{Scrip Shares is made} & & \end{array}$$

The number of the Scrip Shares to be issued to each Shareholder will be rounded down to the nearest whole number. Fractional entitlements to the Scrip Shares will not be issued to the Shareholders and will be cancelled accordingly.

Based on 30,179,108,707 Shares in issue as at the close of business on the Record Date, if all Shareholders choose to receive Scrip Shares in lieu of cash in respect of the Final Dividend, the Company will issue approximately 393,280,566 Scrip Shares, an increase of approximately 1.30% of the existing issued share capital of the Company.

3. BOOK CLOSURE PERIOD AND LAST DATE OF TRANSFER

For the purpose of determining Shareholders who qualify for the Final Dividend, the Register of Members was closed on Thursday, 22 December 2016 and Friday, 23 December 2016.

The last date and time by which transfers were accepted for registration for participation in the Scrip Dividend Scheme for Final Dividend was Wednesday, 21 December 2016 at 4:30 p.m.

4. ADVANTAGES OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme will give the Shareholders an opportunity to increase their investment in the Company at market value without incurring brokerage fees, stamp duty and related dealing costs. The Scrip Dividend Scheme will also benefit the Company to the extent that such cash which would otherwise have been paid to Shareholders who elect to receive the Scrip Shares, in whole or in part in lieu of a cash dividend, will be retained for use as working capital by the Company.

5. ELECTION FORM

The Election Form is enclosed with this circular for use by the Shareholders should they wish to receive the Final Dividend wholly or partly in form of Scrip Shares in lieu of cash. **The Election Form should be completed in accordance with the instructions printed thereon and returned to the Company's share registrar, Tricor Tengis Limited ("Registrar") at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 18 January 2017.** Failure to complete and return the Election Form in accordance with the instructions printed thereon will result in the relevant qualifying Shareholder's Final Dividend being paid wholly in the form of cash. No acknowledgement of receipt of the Election Form will be issued. No elections in respect of the Final Dividend may be in any way withdrawn, revoked, superseded or altered after the relevant Election Forms are signed and returned to the Registrar.

- (a) **To receive Final Dividend in form of cash only**, you do not need to take any action.
- (b) **To receive Final Dividend in form of Scrip Shares only**, please SIGN, DATE and RETURN the Election Form to the Registrar.
- (c) **To receive Final Dividend partly in cash and partly in form of Scrip Shares**, please ENTER in Box C of the Election Form the number of Shares which you held on the Record Date for which you require the Final Dividend to be paid in form of Scrip Shares and then SIGN, DATE and RETURN the Election Form to the Registrar. **For the avoidance of doubt**, if you do not specify the number of Shares for which you wish to receive the Final Dividend in form of Scrip Shares or if your specified number is greater than your registered holding on the Record Date, then in either case you will be deemed to have elected to receive your Final Dividend in form of Scrip Shares only.

6. CONDITIONS OF THE SCRIP DIVIDEND SCHEME FOR FINAL DIVIDEND

The Scrip Dividend Scheme for Final Dividend is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Scrip Shares to be issued thereunder.

In the event that the above condition of the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Scrip Shares to be issued is not satisfied, the Scrip Dividend Scheme for Final Dividend will not be effective and the Final Dividend will be paid wholly in cash.

7. EFFECT OF THE SCRIP DIVIDEND SCHEME FOR FINAL DIVIDEND

Shareholders should note that the Scrip Shares to be issued under the Scrip Dividend Scheme for Final Dividend may give rise to disclosure requirements under the provision of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). If Shareholders are in any doubt as to how these provisions may affect them as a result of the allotment of the Scrip Shares, they are recommended to seek their own professional advice.

8. SHAREHOLDERS RESIDING OUTSIDE HONG KONG

No person receiving a copy of this circular and/or an Election Form in any jurisdiction outside Hong Kong may treat the same as an offer to elect to receive Scrip Shares unless in the relevant jurisdiction such offer could lawfully be made to him/her/it without the Company being required to comply with any legal, governmental or regulatory procedures, restrictions or any other similar formalities. Shareholders residing in a jurisdiction where it would be illegal for the Company to make such an invitation will be deemed to have received this circular and/or the form of election for information only.

At the Record Date, there were 20 Shareholders residing in 9 jurisdictions outside Hong Kong, namely Canada, England and Wales, Japan, Macau, Malaysia, the Netherlands, Singapore, Switzerland and the United States of America, who together held an aggregate of 32,052,439 Shares, representing approximately 0.11% of the entire issued share capital of the Company. The aggregate amount of the Final Dividend to which these Shareholders are entitled is approximately HK\$60,900.

The Company has been advised by its legal advisers on the laws of Canada, England and Wales, Japan, Macau, the Netherlands, Singapore and Switzerland. Having considered their advices, the Company is satisfied that either there is no legal restriction or there are exemptions available to the Company under the applicable legislation of these seven jurisdictions or requirement of any relevant regulatory body or stock exchange in these seven jurisdictions with respect to the offer of the Scrip Shares to the Shareholders with registered addresses in these seven jurisdictions as at the Record Date. Accordingly, the Scrip Dividend Scheme is extended to the Shareholders with registered addresses in these seven jurisdictions.

The Company has also been advised by legal advisers in Malaysia and the United States of America that, without complying with local approval and/or registration requirements and/or other formalities under the laws of these two jurisdictions, subject to the exception set out in the following paragraph, the Scrip Dividend Scheme may not be offered to Shareholders with registered addresses in these two jurisdictions as at the Record Date (“**Excluded Shareholders**”). As it would not be cost-effective or expedient for the Company to comply with the approval and/or registration requirements and/or other formalities under the laws of these two jurisdictions, the Board has decided that, subject to the exception set out in the following paragraph, it would be expedient to exclude the Excluded Shareholders from the Scrip Dividend Scheme.

Therefore, this circular is sent to the Excluded Shareholders for information purposes only and the Election Forms will not be sent to the Excluded Shareholders generally. However, the Election Forms will be sent to those Excluded Shareholders who can prove to the satisfaction of the Company that such action would not result in a contravention of any applicable legal or regulatory requirements or formalities. Excluded Shareholders who wish to participate in the Scrip Dividend Scheme should notify the Company forthwith. In any event, the completed Election Forms should be returned to and received by the Registrar, at the address and before the time set out in paragraph 5 above. Excluded Shareholders, other than those participating in the Scrip Dividend Scheme in accordance with this paragraph, will receive their Final Dividend in cash in the usual way.

(a) Notice to Shareholders with registered addresses in Canada

The Company has been advised by legal advisers on the laws of Canada that unless certain conditions are satisfied, the first trade by Shareholders with registered addresses in Canada of Shares obtained by way of the Scrip Shares can only be traded in accordance with applicable prospectus and registration requirements or pursuant to exemptions from such prospectus and registration requirements.

(b) Notice to Shareholders with registered addresses in Japan

Shareholders with registered addresses in Japan should note that a security registration statement has not been or will not be filed under Japanese laws with respect to the offer of the Scrip Shares in Japan.

(c) Notice to Shareholders with registered addresses in Malaysia

As the Shareholders with registered addresses in Malaysia are excluded from participating in the Scrip Dividend Scheme, the Election Forms will not be sent to the Shareholders with registered address in Malaysia at the Record Date. However, this circular is sent to them for information purposes only and is not, and does not purport to be, an issue, offer for subscription or purchase, or an invitation to subscribe for or purchase securities or a notice that issues, or refers to an issue or intended issue of securities in Malaysia. The Shareholders with registered addresses in Malaysia at the Record Date should not distribute or circulate this circular to any other person in Malaysia or elsewhere.

(d) Notice to Shareholders with registered addresses in Singapore

This circular and any other materials relating to the Scrip Dividend Scheme (“**Scrip Dividend Documents**”) are confidential and have not been and will not be lodged with and registered as a prospectus under the Securities and Futures Act, Chapter 289 of Singapore (“**SFA**”) with the Monetary Authority of Singapore (“**MAS**”). This circular and any other document or material issued in connection with the Scrip Dividend Scheme is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. The MAS assumes no responsibility for the contents.

In Singapore, the Scrip Dividend Documents are addressed solely to and is for the exclusive use of persons whose names were on the Register of Members with registered addresses in Singapore on the Record Date (“**Singaporean Shareholders**”). Any offer or invitation in respect of the Scrip Shares in Singapore is capable of acceptance only by the Singaporean Shareholders and is not transferable. The Scrip Dividend Documents may not be distributed or given to any person in Singapore other than the Singaporean Shareholders. In Singapore, the Scrip Dividend Documents should not be reproduced, in whole or in part.

This offer or invitation is made in reliance on the exemption under Section 273(1)(cd) (i) of the SFA. It is not made in or accompanied by a prospectus that is registered by the MAS.

Accordingly, the Scrip Dividend Documents and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Scrip Shares may not be issued, circulated or distributed, in Singapore nor may any Scrip Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) pursuant to, and in accordance with, the prospectus registration and other requirements in Subdivisions (2) and (3) of Division 1 of Part XIII of the SFA or (ii) pursuant to, and in accordance with, the conditions of any provision of Subdivision (4) of Division 1 of Part XIII of the SFA.

For the avoidance of doubt, the Scrip Shares are not offered to the public (other than the Shareholders) and the rights of the Shareholders to elect and receive Scrip Shares as well as the Election Forms are non-transferable.

Notwithstanding the legal advice taken by the Company, it is the responsibility of anyone wishing to participate in the Scrip Dividend Scheme to satisfy themselves as to full observance of the laws of any relevant territory, including obtaining any governmental or other consents which may be required. Shareholders who are in doubt as to their position should consult their own professional advisers.

9. LISTING AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Scrip Shares to be issued pursuant to the Scrip Dividend Scheme for Final Dividend. It is expected that the relevant share certificates and/or dividend warrants for the entitlements will be sent by ordinary post to the Shareholders at their own risk on or about Friday, 27 January 2017. Dealings of the Scrip Shares are expected to commence at 9:00 a.m. on or around Wednesday, 1 February 2017.

Dealings in the Scrip Shares may be settled through the Central Clearing and Settlement System and you should seek advice from your licensed securities dealer or other professional adviser for details of these settlement arrangements and how such settlement arrangements will affect your rights and interests.

The Shares are listed, and dealt in, on the Main Board of the Stock Exchange. Save as disclosed above, no equity or debt securities of the Company is listed, or dealt in, on any other stock exchange, nor is listing, or permission to deal in, on any other exchange being, or proposed to be, sought.

Yours faithfully,
For and on behalf of the Board of
Lai Sun Development Company Limited
Lam Kin Ngok, Peter
Chairman