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LAI FUNG HOLDINGS

Lai Fung Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1125)

Executive Directors:

Mr. Chew Fook Aun (*Chairman*)
Dr. Lam Kin Ming (*Deputy Chairman*)
Mr. Lam Kin Hong, Matthew (*Executive Deputy Chairman*)
Mr. Lam Hau Yin, Lester (*Chief Executive Officer*)
Mr. Cheng Shin How
Mr. Lau Shu Yan, Julius
Madam U Po Chu

Non-executive Directors:

Mr. Lucas Ignatius Loh Jen Yuh
Mr. Chan Boon Seng
(*also alternate to Mr. Lucas Ignatius Loh Jen Yuh*)

Independent Non-executive Directors:

Mr. Ku Moon Lun
Mr. Lam Bing Kwan
Mr. Law Kin Ho
Mr. Mak Wing Sum, Alvin
Mr. Shek Lai Him, Abraham

Registered Office:

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*Principal Place of Business in
Hong Kong:*

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Lai Sun Commercial Centre
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Hong Kong

30 December 2014

To the Shareholders

Dear Sir or Madam,

SCRIP DIVIDEND SCHEME IN RELATION TO THE FINAL DIVIDEND FOR THE YEAR ENDED 31 JULY 2014

1. INTRODUCTION

On 9 December 2014, the shareholders (“**Shareholders(s)**”) of Lai Fung Holdings 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\$0.0031 per share in the capital of the Company of HK\$0.10 each (“**Share(s)**”) for the year ended 31 July 2014 (“**Final Dividend**”) to the Shareholders whose names appear on the Hong Kong Branch Register of Members of the Company (“**Register of Members**”) at the close of business on Friday, 19 December 2014 (“**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 Record Date:

- (i) a cash dividend of HK\$0.0031 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.

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\$0.1578, 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:

$$\begin{array}{rcccl} \text{Number of} & & \text{Number of existing Shares} & & \text{HK\$0.0031} \\ \text{Scrip Shares} & & \text{held on the Record Date} & & \text{(Final Dividend per Share)} \\ \text{to be received} & = & \text{for which election for} & \times & \frac{\text{HK\$0.1578}}{\text{(Average Closing Price)}} \\ & & \text{Scrip Shares is made} & & \end{array}$$

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 16,101,899,257 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 316,323,749 Scrip Shares, an increase of approximately 1.96% 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, 18 December 2014 and Friday, 19 December 2014.

The last date and time by which transfers were accepted for registration for participation in the Scrip Dividend Scheme for Final Dividend was Wednesday, 17 December 2014 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 branch share registrar in Hong Kong, Tricor Tengis Limited ("Registrar") at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 20 January 2015.** 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. According to the Register of Members on the Record Date, the Company is not aware of any Shareholders whose registered address is outside Hong Kong.

9. LISTING AND DEALINGS

Application has been 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, 30 January 2015. Dealings of the Scrip Shares are expected to commence on or around Monday, 2 February 2015.

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 and the CNY1,800,000,000 6.875% senior notes due 2018 of the Company are listed, and dealt in, on 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 Fung Holdings Limited
Chew Fook Aun
Chairman