
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this Prospectus or as to the action to be taken, you should consult your stockbroker or other registered securities dealer, bank manager, solicitor, professional accountant or other professional adviser. Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Prospectus.

If you have sold or transferred all your shares in Lai Sun Development Company Limited, you should at once hand this Prospectus and, if any, the accompanying PAL and EAF to the purchaser(s) or transferee(s) or bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

A copy of this Prospectus, together with copies of the PAL and EAF and the written consent referred to in the paragraphs headed "Expert's Qualifications and Consents" in Appendix III of this Prospectus, have been registered by the Registrar of Companies in Hong Kong as required under Section 38D of the Companies Ordinance. The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility as to the contents of any of the documents referred to above.

Dealings in the Shares and the Rights Shares in their nil-paid and fully-paid forms may be settled through CCASS operated by Hong Kong Securities Clearing Company Limited and you should consult your stockbroker or other registered securities dealer, bank manager, solicitor, professional accountant or other professional advisers for details of those settlement arrangements and how such arrangements may affect your rights and interests. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The attention of Shareholders with registered addresses in any of the jurisdictions outside the Included Jurisdictions or holding Shares on behalf of persons with such addresses is drawn to the paragraphs below headed "Non-Qualifying Shareholders".

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

The securities described herein have not been registered under the US Securities Act of 1933, as amended, (the "US Securities Act") or the laws of any state in the United States, and may not be offered or sold within the United States, absent registration or an exemption from the registration requirements of the US Securities Act and applicable state laws. There is no intention to register any portion of the Rights Issue or any securities described herein in the United States or to conduct a public offering of securities in the United States.

This Prospectus has not been qualified as a prospectus or a rights offering circular in any province of Canada and the Rights Shares will not be offered or distributed in Canada.

The Rights Issue will not be made to Japanese Shareholders and this Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire any Shares, Rights Shares (in nil-paid or fully-paid forms) or any securities of the Company. The Company has sent this Prospectus to Japanese Shareholders for information purpose only.

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to the nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful.



LAI SUN DEVELOPMENT

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

(Stock Code: 488)

RIGHTS ISSUE OF 5,900,850,966 RIGHTS SHARES AT THE SUBSCRIPTION PRICE OF HK\$0.09 EACH ON THE BASIS OF 5 RIGHTS SHARES FOR EVERY 12 EXISTING SHARES HELD ON THE RECORD DATE PAYABLE IN FULL ON ACCEPTANCE

Underwriter of the Rights Issue



The latest time for acceptance of, and payment for, the Rights Shares is 4:00 p.m. on Thursday, 8 December 2011. The procedures for acceptance and payment or transfer of the Rights Shares are set out in the section headed "Procedures for acceptance and payment or transfer" on pages 15 to 18 of this Prospectus.

It should be noted that the Underwriter may, upon giving notice in writing to the Company, terminate the Underwriting Agreement with immediate effect at any time prior to the Latest Time for Termination, upon occurrence of certain events including force majeure events. These events are set out in the section headed "Termination of the Underwriting Agreement" on pages 9 to 11 and 27 and 28 of this Prospectus.

If the Underwriter exercises such right, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed. Upon the giving of written notice of termination, all the obligations of the Underwriter and the Company under the Underwriting Agreement shall cease and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (other than in respect of any antecedent breaches) provided that the Company shall remain liable to pay HSBC's reasonable costs, fees and expenses in accordance with the Underwriting Agreement.

Shareholders should note that the existing Shares have been dealt in on ex-rights basis from Friday, 18 November 2011. The Rights Shares in their nil-paid form will be dealt in from Monday, 28 November 2011 to Monday, 5 December 2011 (both days inclusive). If prior to the Latest Time for Termination, the Underwriter terminates the Underwriting Agreement or if any of the other conditions of the Rights Issue as set out in the paragraphs headed "Conditions of the Rights Issue and the Underwriting Agreement" under the section headed "Letter from the Board" contained in this Prospectus is not fulfilled, the Rights Issue will not proceed.

Any dealings in the Shares from the date of this Prospectus up to the date on which all the conditions of the Rights Issue are fulfilled, which is currently expected to be 5:00 p.m., Tuesday, 13 December 2011, and any dealings in the Rights Shares in their nil-paid form between Monday, 28 November 2011 to Monday, 5 December 2011 (both days inclusive) are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares or Rights Shares in their nil-paid form, and if they are in any doubt about their position, they are recommended to consult their professional advisers.

NOTICE

The Rights Issue is conditional upon (i) the Underwriting Agreement becoming unconditional and not being terminated and (ii) permission to deal in and listing of all Rights Shares (in their nil-paid and fully-paid forms) being granted by the Stock Exchange and not being withdrawn or revoked prior to the Latest Time for Termination. If the conditions of the Rights Issue are not fulfilled the Rights Issue will not proceed, in which case a further announcement will be made by the Company at the relevant time. It should also be noted that the Shares have been dealt in on an ex-rights basis from Friday, 18 November 2011 and that dealings in the nil-paid Rights Shares will take place from Monday, 28 November 2011 to Monday, 5 December 2011 (both days inclusive). Such dealings will take place when the conditions of the Rights Issue remain unfulfilled. Any person dealing in the securities of the Company up to the date on which such conditions are fulfilled and any person dealing in the nil-paid Rights Shares from Monday, 28 November 2011 to Monday, 5 December 2011 (being the first and last days of dealings in the nil-paid Rights Shares respectively) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any person dealing or contemplating any dealing in the securities of the Company, the nil-paid Rights Shares and/or the Shares during this period who is in any doubt about his position is recommended to consult his own professional adviser.

EXCEPT AS OTHERWISE SET OUT HEREIN, THE RIGHTS ISSUE DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO SHAREHOLDERS WITH REGISTERED ADDRESSES IN, OR INVESTORS WHO ARE LOCATED OR RESIDENT IN, ANY OF THE JURISDICTIONS OUTSIDE THE INCLUDED JURISDICTIONS. This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to the nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer, invitation or solicitation is unlawful. None of the nil-paid Rights Shares, the fully-paid Rights Shares, this Prospectus, the PAL and the EAF will be registered under the securities laws of any of the jurisdictions outside Hong Kong and none of the nil-paid Rights Shares, the fully-paid Rights Shares, this Prospectus, the PAL and the EAF will qualify for distribution under any of the relevant securities laws of any of the jurisdictions outside the Included Jurisdictions (other than pursuant to any applicable exceptions as agreed by the Company). Accordingly, the nil-paid Rights Shares and the fully-paid Rights Shares may not be offered, sold, pledged, taken up, resold, renounced, transferred or delivered, directly or indirectly, into or within any jurisdictions outside the Included Jurisdictions absent registration or qualification under the respective securities laws of such jurisdictions outside the Included Jurisdictions, or exemption from the registration or qualification requirement under applicable rules of such jurisdictions.

Shareholders with registered addresses in, and investors who are located or resident in, any of the jurisdictions outside the Included Jurisdictions are referred to the paragraphs headed “Non-Qualifying Shareholders” under the section headed “Letter from the Board” of this Prospectus.

NOTICE

NOTICE TO CANADIAN INVESTORS

The Rights Shares will not be offered or distributed in Canada except in accordance with an exemption from prospectus requirements applicable in Canada . Any resale of the nil-paid Rights Shares and/or the Rights Shares by a resident of Canada or to a resident of Canada must be made in accordance with applicable Canadian securities laws. Purchasers are advised to seek legal advice prior to any resale of the nil-paid Rights Shares and/or the Rights Shares to a Canadian resident.

NOTICE TO INVESTORS IN THE NETHERLANDS

The Rights Issue will not be made to Shareholders in the Netherlands and this Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire any Shares, Rights Shares (in nil-paid or fully-paid forms) or any securities of the Company. The Company has sent this Prospectus to Shareholders in the Netherlands for information purpose only.

NOTICE TO SINGAPOREAN INVESTORS

This Prospectus, the PAL and the EAF and any other materials relating to the Rights Issue have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus, the PAL and the EAF and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, or the allotment and issuance of the Rights Shares (in nil-paid and fully paid forms) in connection with the Rights Issue, may not be issued, circulated or distributed, nor may the Rights Shares (in nil-paid and fully paid forms) be offered or sold, or be made the subject of an invitation for subscription or purchase, or be allotted or issued, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with the exemptions in Part XIII, Division 1, Subdivision 4 of the Securities and Futures Act, Cap 289.

As detailed in the paragraphs headed “Non-Qualifying Shareholders” under the section headed “Letter from the Board” of this Prospectus, the Rights Issue is not extended to you. This Prospectus has been given to you on the basis that you are an existing Shareholder of the Company and is for information purpose only and should not be construed as any offer of the Rights Shares (in nil-paid and fully paid forms) by the Company or any other persons to you. In the event that you are not an existing Shareholder of the Company, please return this Prospectus immediately. You may not forward or circulate this Prospectus to any other person in Singapore.

The Company is not in the business of dealing in securities, nor does it purport to hold itself out as carrying on the business of dealing in securities.

NOTICE

NOTICE TO INVESTORS IN THE UNITED KINGDOM

European Economic Area

The information in this Prospectus has been prepared on the basis that all offers of shares will be made pursuant to an exemption under the Directive 2003/71/EC (“**Prospectus Directive**”), as implemented in Member States of the European Economic Area (“**EEA**”), from the requirement to produce a prospectus for offers of securities. Accordingly any person making or intending to make any offer within the EEA of the Rights Shares should only do so in circumstances in which no obligation arises for the Company to produce a prospectus for such offer. The Company has not authorised, nor will it authorise, the making of any offer of the Rights Shares through any financial intermediary, other than offers of the Rights Shares made by the Company as contemplated in the information in this Prospectus. Accordingly, the Rights Shares may not be, and will not be, offered or sold in the EEA by means of this Prospectus or any accompanying document or any other document, except to persons which are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive, including:

- (a) legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; or
- (b) any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) to fewer than 100 natural or legal persons per Member State of the EEA (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive); or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the Rights Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”)) received in connection with the issue, offer or sale of the Rights Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to the Company.

NOTICE

This Prospectus is being distributed only to, and is directed at:

- (a) persons to whom Article 43 of the FSMA (Financial Promotion) Order 2005 applies; or
- (b) persons to whom it may be lawfully communicated (together “**relevant persons**”).

The investments to which this Prospectus relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons.

Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents.

NOTICE TO US INVESTORS

This Prospectus, the PAL, the EAF, the nil-paid Rights Shares and the Rights Shares have not been and will not be registered under the US Securities Act or securities laws of any state or territory of the United States. Accordingly, the nil-paid Rights Shares and the Rights Shares may only be offered, sold, taken up, resold, renounced, transferred or delivered, in offshore transactions in accordance with Regulation S under the US Securities Act.

This Prospectus, the PAL, the EAF, the nil-paid Rights Shares and the Rights Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering, this Prospectus, the PAL, the EAF, the nil-paid Rights Shares and the Rights Shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

None of this Prospectus, the PAL and the EAF constitutes, will constitute, or forms or will form, part of any offer or invitation to issue, purchase or acquire the nil-paid Rights Shares and/or the Rights Shares to any person with a registered address, or who is located, in the United States. The nil-paid Rights Shares and the Rights Shares are being offered outside the United States in reliance on Regulation S under the US Securities Act.

In addition, until 40 days after the commencement of the Rights Issue or the procurement of purchasers by the Underwriter of the Rights Shares not initially taken up, any offer, sale or transfer of the nil-paid Rights Shares or the Rights Shares in or into the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

NOTICE

The Underwriter may arrange for the offer of the Rights Shares not taken up in the Rights Issue only outside the United States in reliance on Regulation S under the US Securities Act. Each purchaser or subscriber of the Rights Shares being offered and sold outside the United States will be deemed to have represented and agreed, among other things, that the purchaser or subscriber is acquiring the Rights Shares in an offshore transaction meeting the requirements of Regulation S under the US Securities Act and the purchaser or subscriber has not been offered the Rights Shares by means of any directed selling efforts as defined in Regulation S under the US Securities Act.

Any person purchasing or taking up the nil-paid Rights Shares or subscribing for or accepting the Rights Shares will be required to represent, among others, that such person:

- (i) is not within the United States;
- (ii) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the nil-paid Rights Shares or the Rights Shares;
- (iii) is not doing so for the account of any person who is located in the United States, unless:
 - (a) the instruction to take up was received from a person outside the United States; and
 - (b) the person giving such instruction has confirmed that (x) it has the authority to give such instruction, and (y) either (A) has investment discretion over such account or (B) is an investment manager or investment company that is acquiring the Rights Shares in an “offshore transaction” within the meaning of Regulation S under the US Securities Act; and
- (iv) is not acquiring the nil-paid Rights Shares or the Rights Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such nil-paid Rights Shares or Rights Shares into the United States or any other jurisdiction referred to in (ii) above.

FORWARD-LOOKING STATEMENTS

All statements in this Prospectus other than statements of historical fact are forward-looking statements. In some cases, forward-looking statements may be identified by the use of words such as “might”, “may”, “could”, “would”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue”, “illustration”, “projection” or similar expressions and the negative thereof. Forward-looking statements in this Prospectus include, without limitation, statements in respect of the Group’s business strategies, product offerings, market position, competition, financial prospects, performance, liquidity and capital resources, as well as statements regarding trends in the relevant industries and markets in which the Group operates, technological advances, financial and economic developments, legal and regulatory changes and their interpretation and enforcement.

NOTICE

The forward-looking statements in this Prospectus are based on management's present expectations about future events. Management's present expectations reflect numerous assumptions regarding the Group's strategy, operations, industry, developments in the credit and other financial markets and trading environment. By their nature, they are subject to known and unknown risks and uncertainties, which could cause actual results and future events to differ materially from those implied or expressed by forward-looking statements. Should one or more of these risks or uncertainties materialise, or should any assumptions underlying forward-looking statements prove to be incorrect, the Group's actual results could differ materially from those expressed or implied by forward-looking statements. Additional risks not known to the Group or that the Group does not currently consider material could also cause the events and trends discussed in this Prospectus not to occur, and the estimates, illustrations and projections of financial performance not to be realized.

Prospective investors are cautioned that forward-looking statements speak only as at the date of publication of this Prospectus. Except as required by applicable law, the Group does not undertake, and expressly disclaims, any duty to revise any forward-looking statement in this Prospectus, be it as a result of new information, future events or otherwise.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, capitalised terms used shall have the following meanings:–

“Announcement”	the joint announcement of the Company and LSG dated 8 November 2011 in relation to, among other things, the proposed Rights Issue;
“associate(s)”	has the same meaning ascribed to it under the Listing Rules or the Hong Kong Financial Reporting Standards (as the case may be);
“Board”	the board of Directors;
“Business Day”	any weekday (other than a Saturday or a day on which a tropical cyclone warning signal No.8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks generally are open for business in Hong Kong;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“CGL”	Crocodile Garments Limited, a company incorporated in Hong Kong, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 122);
“Closing Date”	such date falling on the third Business Day after the latest time for acceptance or such later date as the Company and the Underwriter may agree in writing;
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Company”	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);
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Dr. Lam”	Dr. Lam Kin Ngok, Peter, the chairman of the Company and LFH, the deputy chairman of LSG and an executive director of eSun and CGL;

DEFINITIONS

“EAF(s)”	the excess application form(s) issued to the Qualifying Shareholders in respect of applications for excess Rights Shares;
“eSun”	eSun Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 571);
“Group”	the Company and its subsidiaries;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HSBC” or “Underwriter”	The Hongkong and Shanghai Banking Corporation Limited, a registered institution under the SFO, registered to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong);
“Included Jurisdictions”	Hong Kong, Macau, and Taiwan and each of such jurisdictions is referred to as an “Included Jurisdiction”;
“Independent Third Party(ies)”	third party(ies) independent of the Company and any connected person(s) of the Company and not a connected person of the Company;
“Irrevocable Undertaking”	the irrevocable undertaking dated 8 November 2011 and given by the Irrevocable Undertaking Shareholder to the Company and the Underwriter as described in the paragraphs headed “Irrevocable Undertakings of the Undertaking Shareholders” under the section headed “Letter from the Board” in this Prospectus;
“Irrevocable Undertaking Shareholder”	Dr. Lam;
“July 2011 Announcement”	the announcement of the Company dated 12 July 2011 in relation to, among other things, its acquisition of a 50% interest and an option to acquire an additional 10% interest in the Observatory Road Project;
“Last Trading Day”	8 November 2011, being the last trading day of the Shares on the Stock Exchange immediately prior to the publication of the Announcement;

DEFINITIONS

“Latest Acceptance Date”	Thursday, 8 December 2011, being the last day for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares, or such other date as the Company and the Underwriter may agree in writing;
“Latest Practicable Date”	21 November 2011, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information in this Prospectus;
“latest time for acceptance”	4:00 p.m. on the Latest Acceptance Date;
“Latest Time for Termination”	4:00 p.m. on the third Business Day after the Latest Acceptance Date or such later date as the Company and the Underwriter may agree in writing;
“LFH”	Lai Fung Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1125);
“Listing Committee”	has the same meaning ascribed to it under the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Lock Up Shares”	any Shares (including the Rights Shares) beneficially and/or legally owned by LSG and the LSG Subsidiaries in aggregate not exceeding 6,018,867,986 Shares which represent approximately 30% of the issued share capital of the Company as enlarged by the Rights Issue;
“LSG”	Lai Sun Garment (International) Limited, a company incorporated in Hong Kong with limited liability, also the controlling Shareholder of the Company, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 191);
“LSG Subsidiaries”	Joy Mind Limited, a company incorporated in Hong Kong, and Zimba International Limited, a company incorporated in the British Virgin Islands with limited liability, both being wholly-owned subsidiaries of LSG and holding 159,096,066 and 5,200,000,000 Shares (respectively) as at the Latest Practicable Date;
“Macau”	the Macau Special Administrative Region of the PRC;

DEFINITIONS

“Nominee”	Hang Seng (Nominee) Limited in its capacity as a nominee of 98,000,000 Shares held beneficially by LSG;
“Non-Qualifying Shareholder(s)”	Shareholder(s) (i) whose name(s) appeared on the register of members of the Company at 5:00 p.m. on the Record Date; and (ii) whose address(es) as shown on such register is/are in jurisdictions outside the Included Jurisdictions, and whom the Directors, after making enquiries, consider it necessary or expedient to exclude from the Rights Issue on grounds either of legal restrictions under the laws of such jurisdiction(s) or the requirements of the relevant regulatory body or stock exchange in such jurisdiction(s);
“Observatory Road Project”	the project in respect of all those pieces or parcels of ground registered in the Land Registry as Kowloon Inland Lot Nos.10557, 10558, 10559, 10560, 10565 and 10570 together with the messuages, erections and buildings thereon known as Nos. 2, 4, 6, 8, 10 and 12, Observatory Road, Kowloon, Hong Kong;
“October 2011 Announcement”	the announcement of the Company dated 3 October 2011 in relation to, among other things, its acquisition of a 50% interest and an option to acquire an additional 10% interest in the Observatory Road Project;
“October 2011 Circular”	the circular of the Company dated 4 October 2011 in relation to, among other things, its acquisition of an interest in the Observatory Road Project;
“Other Shares”	the Shares (including the Rights Shares) beneficially and/or legally owned by LSG and the LSG Subsidiaries (other than the Lock Up Shares) which represent approximately 18% of all the issued share capital of the Company as enlarged by the Rights Issue;
“Overseas Shareholder(s)”	the Shareholder(s) whose names appeared on the register of members of the Company as at 5:00 p.m. on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong;
“PAL(s)”	the provisional allotment letter(s) issued to the Qualifying Shareholders in respect of their assured entitlements under the Rights Issue;
“Posting Date”	Thursday, 24 November 2011 or such other date as the Underwriter may agree in writing with the Company for the despatch of the Rights Issue Documents;
“PRC”	the People’s Republic of China which, for the purpose of this Prospectus, excludes Hong Kong, Macau and Taiwan;

DEFINITIONS

“Prospectus”	this prospectus;
“Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company as at 5:00 p.m. on the Record Date, other than the Non-Qualifying Shareholders;
“Record Date”	Wednesday, 23 November 2011, being the record date to determine entitlements to the Rights Issue (or such other date as the Underwriter may agree in writing with the Company);
“Registrars”	Tricor Tengis Limited, the share registrars of the Company at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong;
“Rights Issue”	the issue of 5,900,850,966 Rights Shares at the Subscription Price on the basis of 5 Rights Shares for every 12 existing Shares held on the Record Date payable in full on acceptance;
“Rights Issue Documents”	this Prospectus, the PAL and the EAF;
“Rights Share(s)”	the new Share(s) to be allotted and issued in respect of the Rights Issue;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	the subscription price of HK\$0.09 per Rights Share;
“subsidiary”	has the same meaning ascribed to it under the Listing Rules;
“Taken Up/take up/taking up”	those Rights Shares and/or Underwritten Shares in respect of which the relevant PALs and/or EAFs have been lodged accompanied by cheques or other remittances for the full amount payable in respect thereof;
“UK”	the United Kingdom;

DEFINITIONS

“Undertaking Shareholders”	LSG and the Irrevocable Undertaking Shareholder;
“Underwriting Agreement”	the underwriting agreement dated 8 November 2011 and entered into among the Company, LSG and the Underwriter in relation to the Rights Issue;
“Underwritten Shares”	the 3,066,280,645 Rights Shares (being the Rights Shares other than an aggregate of 2,834,570,321 Rights Shares that have been provisionally allotted to the Undertaking Shareholders and the LSG Subsidiaries) underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement;
“US” or “United States”	the United States of America (including its territories and dependencies, any state in the US and the District of Columbia);
“US Person(s)”	any person(s) or entity(ies) deemed to be a US Person for the purposes of Regulation S under the US Securities Act;
“US Securities Act”	the US Securities Act of 1933, as amended; and
“%”	per cent or percentage.

In this Prospectus, unless the context otherwise requires, any reference to the singular includes the plural and vice versa and any reference to a gender includes a reference to the other gender and the neuter.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue. Dates or deadlines specified below and in other parts of this Prospectus are indicative only and may be varied by agreement between the Company and the Underwriter. In the event that any special circumstances arise, the Board may extend, or make adjustment to, the timetable if it considers appropriate. The Company will notify Shareholders by way of announcement(s) of any change to the expected timetable as and when appropriate.

Despatch of the Rights Issue Documents	Thursday, 24 November 2011
First day for dealings in nil-paid Rights Shares	Monday, 28 November 2011
Latest time for splitting of nil-paid Rights Shares.....	4:30 p.m. on Wednesday, 30 November 2011
Last day for dealings in nil-paid Rights Shares	Monday, 5 December 2011
Latest time for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Thursday, 8 December 2011
Rights Issue to become unconditional	5:00 p.m. on Tuesday, 13 December 2011
Announcement of results of the Rights Issue to be published on the respective websites of the Stock Exchange and the Company on or before	11:00 p.m. on Thursday, 15 December 2011
Certificates for the Rights Shares expected to be dispatched on or before	Friday, 16 December 2011
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be posted on or before	Friday, 16 December 2011
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Tuesday, 20 December 2011

EXPECTED TIMETABLE

Notes:

1. All references to times and dates in this Prospectus refer to Hong Kong local times and dates.
2. **Effect of bad weather on the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares:**

The latest time for acceptance of and payment for the Rights Shares and for application and payment for the excess Rights Shares will not take effect if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning. If such circumstance is:

- (a) in force in Hong Kong before 12:00 noon but no longer in force after 12:00 noon on the Latest Acceptance Date, the latest time for acceptance of and payment for the Rights Shares and for application and payment for the excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
 - (b) in force in Hong Kong between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date, the latest time for acceptance of and payment for the Rights Shares and for application and payment for the excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.
3. If the latest time for acceptance of and payment for the Rights Shares and for application and payment for the excess Rights Shares does not take place on the Latest Acceptance Date, the dates mentioned in the “Expected Timetable” section may be affected. The Company will notify Shareholders by way of announcement(s) of any change to the expected timetable as soon as practicable.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing to the Company, the right to terminate the Underwriting Agreement on the occurrence of certain events.

The Underwriter may at any time prior to the Latest Time for Termination terminate the Underwriting Agreement if:

- (a) any material breach of any of the warranties or the undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter, or there has been a material breach on the part of the Company or LSG of any other provision of the Underwriting Agreement, or the Underwriter has cause to believe that any such breach has occurred or that any matter has arisen which might be expected to give rise to such breach or a claim; or
- (b) there occurs an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which, if it had occurred or arisen before the date of the Underwriting Agreement, would have rendered any of the warranties untrue, incorrect, incomplete or misleading in any material respects; or
- (c) any statement contained in this Prospectus has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect, or matters have arisen or have been discovered which would, if this Prospectus was to be issued at the time, constitute a material omission therefrom; or
- (d) the Company is required to produce a supplementary prospectus pursuant to Rule 11.13 of the Listing Rules; or
- (e) there is any adverse change or prospective adverse change in the business, condition, results of operations, management, shareholders' equity or in the financial or trading position of the Group which, in the sole opinion of the Underwriter acting in good faith, is or may be materially adverse in the context of the Rights Issue; or
- (f) permission to deal in and listing of all the Rights Shares (in their nil-paid and fully-paid forms) has been withdrawn by the Stock Exchange; or
- (g) any suspension of dealings in the Shares for a period of three consecutive Business Days or longer (other than pending publication of announcements in respect of the Rights Issue); or
- (h) there has occurred, happened, come into effect or comes to the knowledge of the Underwriter any event, series of events or circumstances concerning or relating to (whether or not foreseeable):
 - (i) any change in, or any event or series of events likely to result in any change in, (whether or not permanent) local, national or international financial, political, military, industrial, economic, legal, fiscal, regulatory or securities market matters or conditions or currency exchange rates or exchange controls in or affecting the PRC, Hong Kong, the European Union (or any member thereof) or the United States; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (ii) any event or circumstance in the nature of force majeure (including, without limitation, any act of government, economic sanctions, strike or lock-out (whether or not covered by insurance), riot, fire, explosion, flooding, earthquake, civil commotion, act or declaration of war, outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), act of God, pandemic, epidemic, outbreak of infectious disease, declaration of a state of emergency or calamity or crisis, in or affecting the PRC, Hong Kong, the European Union (or any member thereof) or the United States; or
- (iii) the declaration of a banking moratorium by PRC, Hong Kong, the European Union (or any member thereof) or United States authorities; or
- (iv) any moratorium, suspension or restriction on trading in shares or securities generally, or the establishment of minimum prices, on the Stock Exchange, the Shanghai Stock Exchange, London Stock Exchange plc, the New York Stock Exchange, Inc. or NASDAQ, or any major disruption of any securities settlement or clearing services in Hong Kong; or
- (v) any new law or regulation or any change, or any development involving a prospective change, in existing laws or regulations in Hong Kong or any other place in which any member of the Group conducts or carries on business,

the effect of which events and circumstances referred to in this paragraph (h), individually or in the aggregate (in the sole opinion of the Underwriter acting in good faith): (1) is or may be materially adverse to, or prejudicially affects or may prejudicially affect, the Group as a whole or the Rights Issue; or (2) makes or may make it inadvisable or inexpedient to proceed with the Rights Issue on the terms and in the manner contemplated in the Announcement and the Rights Issue Documents.

If prior to the Latest Time for Termination any notice to rescind or terminate the Underwriting Agreement is given by the Underwriter, the obligations of all parties thereunder shall terminate forthwith and no party will have any claim against any other for costs, damages, compensation or otherwise (save in respect of certain rights or obligations under the Underwriting Agreement including rights of the parties thereto in respect of any antecedent breach). If the Underwriter exercises such right, the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders should note that the existing Shares have been dealt in on an ex-rights basis from Friday, 18 November 2011. The Rights Shares in their nil-paid form will be dealt in from Monday, 28 November 2011 to Monday, 5 December 2011 (both days inclusive). The Rights Issue is conditional upon, among other things, the Underwriting Agreement becoming unconditional and not being terminated. If any of the conditions of the Rights Issue as set out in the paragraphs headed “Conditions of the Rights Issue and the Underwriting Agreement” under the section headed “Letter from the Board” contained in this Prospectus is not fulfilled, the Rights Issue will not proceed.

TERMINATION OF THE UNDERWRITING AGREEMENT

Any dealings in the Shares from the date of this Prospectus up to the time at which all the conditions of the Rights Issue are fulfilled, which is currently expected to be 5:00 p.m., Tuesday, 13 December 2011, and any dealings in the Rights Shares in their nil-paid form between Monday, 28 November 2011 to Monday, 5 December 2011 (both days inclusive) are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares or Rights Shares in their nil-paid form, and if they are in any doubt about their position, they are recommended to consult their professional advisers.

LETTER FROM THE BOARD



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. Lau Shu Yan, Julius (*Chief Executive Officer*)
Mr. Tam Kin Man, Kraven
Mr. Cheung Wing Sum, Ambrose
Mr. Lui Siu Tsuen, Richard
Mr. Cheung Sum, Sam

Registered office:

11/F., Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

Non-executive Directors:

Dr. Lam Kin Ming
Madam U Po Chu
Mr. Wan Yee Hwa, Edward

Independent Non-executive Directors:

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

24 November 2011

*To the Qualifying Shareholders and,
for information only, certain Non-Qualifying Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE OF 5,900,850,966 RIGHTS SHARES
AT THE SUBSCRIPTION PRICE OF HK\$0.09 EACH
ON THE BASIS OF 5 RIGHTS SHARES FOR EVERY 12 EXISTING SHARES HELD ON
THE RECORD DATE PAYABLE IN FULL ON ACCEPTANCE**

INTRODUCTION

Reference is made to the Announcement, pursuant to which the Company announced that, among other things, it proposed to raise approximately HK\$531 million before expenses by way of the Rights Issue of 5,900,850,966 Rights Shares at the Subscription Price of HK\$0.09 per Rights Share.

LETTER FROM THE BOARD

Pursuant to the Rights Issue, the Qualifying Shareholders will be provisionally allotted 5 Rights Shares in nil-paid form for every 12 existing Shares held on the Record Date. Fractional entitlements will not be allotted but will be aggregated and sold for the benefit of the Company. The Rights Issue will not be available to the Non-Qualifying Shareholders.

The Rights Issue is subject to, among other things, the Underwriting Agreement becoming unconditional and not being terminated on the occurrence of certain events including force majeure.

The purpose of this Prospectus is to provide you with further information regarding the Rights Issue, including information on dealings, transfers and acceptance of the Rights Shares, and financial information and other information of the Group.

RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue:	5 Rights Shares for every 12 existing Shares held at 5:00 p.m. on the Record Date
Subscription Price:	HK\$0.09 per Rights Share
Number of existing Shares in issue:	14,162,042,320
Number of Rights Shares:	5,900,850,966
Underwriter:	HSBC

Under the Rights Issue, 5,900,850,966 nil-paid Rights Shares have been provisionally allotted, representing approximately 41.67% of the existing issued share capital of the Company and approximately 29.41% of the issued share capital of the Company as enlarged by the Rights Shares.

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into the Shares.

Subscription Price

The Subscription Price of HK\$0.09 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or, where applicable, application for excess Rights Shares or when a renounee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

- (a) a discount of approximately 43% to the closing price per Share as quoted on the Stock Exchange on the Last Trading Day of HK\$0.158;

LETTER FROM THE BOARD

- (b) a discount of approximately 43% to the average of the closing prices per Share as quoted on the Stock Exchange for the five previous consecutive trading days up to and including the Last Trading Day of approximately HK\$0.159;
- (c) a discount of approximately 44% to the average of the closing prices per Share as quoted on the Stock Exchange for the 10 previous consecutive trading days up to and including the Last Trading Day of approximately HK\$0.160;
- (d) a discount of approximately 35% to the theoretical ex-rights price of approximately HK\$0.138 per Share based on the closing price of HK\$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (e) a discount of approximately 89% to the audited consolidated net asset value attributable to the Shareholders as at 31 July 2011 of approximately HK\$0.844 per Share;
- (f) a discount of approximately 86% to the unaudited pro forma adjusted consolidated net tangible assets attributable to the Shareholders per Share after completion of the Rights Issue of approximately HK\$0.622, as set out in Appendix II to this Prospectus; and
- (g) a discount of approximately 17% to the closing price of HK\$0.109 per Share, the dealings of which are on ex-rights basis, as quoted on the Stock Exchange on the Latest Practicable Date.

Each Rights Share has a par value of HK\$0.01.

The Subscription Price was determined by the Directors with reference to the market price of the Shares prior to and including the Last Trading Day. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same Subscription Price in proportion to his/her/its shareholding held at 5:00 p.m. on the Record Date.

The Directors consider the terms of the Rights Issue, including the Subscription Price (and the discounts to the relative values indicated above), to be fair and reasonable to, and in the best interests of, the Company and the Shareholders as a whole.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at 5:00 p.m. on the Record Date and not be a Non-Qualifying Shareholder.

The Company has sent the Rights Issue Documents to the Qualifying Shareholders and this Prospectus to the Non-Qualifying Shareholders for information only, provided that the Rights Issue Documents shall not be sent to the Non-Qualifying Shareholders who are known by the Company to be resident in the United States or Malaysia.

Qualifying Shareholders who take up their pro-rata entitlements in full will not suffer any dilution to their shareholding interests in the Company. **If a Qualifying Shareholder does not take up his/her/its entitlement under the Rights Issue in full, his/her/its proportionate shareholding in the Company will be diluted.**

LETTER FROM THE BOARD

Basis of provisional allotments

5 Rights Shares (in nil-paid form) for every 12 existing Shares held by Qualifying Shareholders as at 5:00 p.m. on the Record Date. Acceptance of all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being accepted.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank *pari passu* with the then existing Shares in issue in all respects. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares in their fully-paid form.

Certificates for the Rights Shares

Subject to the fulfillment of the conditions of the Rights Issue as set out below, certificates for all fully-paid Rights Shares are expected to be sent by ordinary post on or before Friday, 16 December 2011 to those persons who have paid for and have accepted the Rights Shares, at their own risk. Applicant(s) will receive one share certificate for all the Rights Shares issued to him/her/it.

Fractions of the Rights Shares

The Company has not provisionally allotted and will not accept application for any fraction of the Rights Shares. No odd lot matching services will be provided. All fractions of Rights Shares have been aggregated (rounded down to the nearest whole number). All nil-paid Rights Shares arising from such aggregation have been provisionally allotted (in nil-paid form) to the Underwriter or its nominee, and will be sold in the market and the proceeds will be retained by the Company for its own benefit, if a premium (net of expenses) can be obtained. Any unsold Rights Shares arising from such aggregation will be made available for excess application by the Qualifying Shareholder (other than the Undertaking Shareholders and the LSG Subsidiaries).

Procedures for acceptance and payment or transfer

General

Any person (including, without limitation, agents, nominees and trustees) wishing to take up his/her/its rights under the Rights Issue must satisfy himself/herself/itself as to the full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The attention of Shareholders with registered addresses in any of the jurisdictions outside the Included Jurisdictions or holding Shares on behalf of persons with such addresses is drawn to the paragraphs below headed "Non-Qualifying Shareholders" in this "Letter from the Board".

LETTER FROM THE BOARD

Each subscriber of Rights Shares will be deemed (by accepting delivery of this Prospectus) to have given each of the following representations and warranties to the Company and the Underwriter and to any person acting on their behalf, unless in their sole discretion the Company and the Underwriter waive such requirement:

- He/she/it was a Shareholder as at 5:00 p.m. on the Record Date, or he/she/it lawfully acquired or may lawfully acquire the rights, directly or indirectly, from such a person;
- He/she/it may lawfully be offered, take up, obtain, subscribe for and receive the rights and/or the Rights Shares in the jurisdiction in which he/she/it resides or is currently located;
- He/she/it is not resident or located in, or a citizen of, the US;
- He/she/it is not accepting an offer to acquire or take up the rights or Rights Shares on a non-discretionary basis for a person who is resident or located in, or a citizen of, the US at the time the instruction to accept was given;
- He/she/it is acquiring the rights and/or the Rights Shares in an “offshore transaction” as defined in Regulation S under the US Securities Act;
- He/she/it has not been offered the Rights Shares by means of any “directed selling efforts” as defined in Regulation S under the US Securities Act;
- He/she/it is not acquiring rights or Rights Shares with a view to the offer, sale, transfer, delivery or distribution, directly or indirectly, of such rights or Rights Shares into the US; and
- He/she/it understands that neither the rights nor the Rights Shares have been or will be registered under the US Securities Act or with any securities regulatory authority of any state, territory, or possession of the US and the rights and Rights Shares are being distributed and offered only outside the US in reliance on Regulation S under the US Securities Act. Consequently he/she/it understands the rights or Rights Shares may not be offered, sold, pledged or otherwise transferred in or into the US, except in reliance on an exemption from, or in transactions not subject to, the registration requirements of the US Securities Act.

LETTER FROM THE BOARD

Action to be taken by Qualifying Shareholders

Subscription for all Rights Shares provisionally allotted

A PAL is enclosed with this Prospectus for Qualifying Shareholders which entitles the Qualifying Shareholder to whom he/she/it is addressed to subscribe for the number of Rights Shares shown therein. If a Qualifying Shareholder wishes to accept all Rights Shares provisionally allotted to him/her/it as specified in the PAL, he/she/it must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrars, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 8 December 2011. All remittances must be made by cheque or cashier's order in Hong Kong dollars. Cheques must be drawn on a bank account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**Lai Sun Development Company Limited – Rights Issue Account**" and crossed "**Account Payee Only**".

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Registrars by 4:00 p.m. on Thursday, 8 December 2011, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. The Company may, at its discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions.

Transfer and "splitting" of nil-paid Rights Shares

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer a part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer all or part of his/her/its rights to more than one person, the original PAL must be surrendered and lodged for cancellation not later than 4:30 p.m. on Wednesday, 30 November 2011 with the Registrars, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection at the Registrars after 9:00 a.m. on the second Business Day after the surrender of the original PAL. This process is commonly known as "splitting" the nil-paid Rights Shares.

Having "split" the nil-paid Rights Shares, a Qualifying Shareholder who wishes to accept the provisional allotment of Rights Shares represented by a new PAL should do so in accordance with the instructions given above in relation to the subscription for the Rights Shares provisionally allotted.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders.

LETTER FROM THE BOARD

All cheques or cashier's orders will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and lodgment of a PAL together with a cheque or cashier's order in payment for the Rights Shares applied for will constitute a warranty by the applicant that the cheque or cashier's order will be honoured on first presentation. Without prejudice to its other rights in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

If any of the conditions of the Rights Issue (as set out in the paragraphs headed "Conditions of the Rights Issue and the Underwriting Agreement" in this "Letter from the Board") is not fulfilled, the monies received in respect of acceptances of the Rights Shares will be refunded to the Qualifying Shareholders (or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred) without interest, by means of cheques crossed "**Account Payee Only**" to be despatched by ordinary post to their registered addresses, and in the case of joint applicants to the registered address of the first-mentioned person appears on the register of members or the transfer form, at their own risk on or about Friday, 16 December 2011.

Stamp duty and other applicable fees and charges

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy and any other applicable fees and charges in Hong Kong.

Application for excess Rights Shares

The Qualifying Shareholders (other than the Undertaking Shareholders and the LSG Subsidiaries) shall be entitled to apply for (a) any unsold Rights Shares which would have been allotted to the Non-Qualifying Shareholders had they been Qualifying Shareholders, (b) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or otherwise subscribed for by renounees or transferees of nil-paid Rights Shares, and (c) any unsold Rights Shares created by aggregating fractions of the Rights Shares.

Application may be made only by the Qualifying Shareholders (other than the Undertaking Shareholders and the LSG Subsidiaries) and only by completing an EAF (in accordance with the instructions printed thereon) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrars by a time which is currently expected to be 4:00 p.m. on Thursday, 8 December 2011 or such later time as may be agreed between the Company and the Underwriter. All remittances must be made by cheque or cashier's order in Hong Kong dollars. Cheques must be drawn on a bank account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**Lai Sun Development Company Limited – Excess Application Account**" and crossed "**Account Payee Only**".

LETTER FROM THE BOARD

The Board will, upon consultation with the Underwriter, allocate the excess Rights Shares being applied for at its discretion and on a fair and equitable basis and on the following principles:

- (1) subject to the availability of excess Rights Shares, preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings where it appears to the Directors that such applications are not made with the intention to abuse such mechanism; and
- (2) subject to the availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to the Qualifying Shareholders (other than the Undertaking Shareholders and the LSG Subsidiaries) based on a sliding scale with reference to the number of the excess Rights Shares applied for by them (i.e. the Qualifying Shareholders applying for a smaller number of Rights Shares will be allocated a higher percentage of the excess Rights Shares they have applied for; whereas the Qualifying Shareholders applying for a larger number of Rights Shares will be allocated a lower percentage of the excess Rights Shares they have applied for (although they will receive a greater number of Rights Shares than those applying for a smaller number)).

Investors whose Shares are held by a nominee company (or which are held in CCASS) should note that the Board will regard the nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, investors whose Shares are registered in the name of a nominee (or which are held in CCASS) should note that the aforesaid top-up of odd lots arrangement in relation to the allocation of the excess Rights Shares will not be extended to them individually.

If no excess Rights Shares are allotted to a Qualifying Shareholder, the amount tendered on application is expected to be refunded in full without interest by means of cheque(s) despatched by ordinary post to his/her/its registered address at his/her/its own risk on or before Friday, 16 December 2011. If the number of excess Rights Shares allotted to a Qualifying Shareholder is less than the number applied for, the surplus application monies are also expected to be returned to the Qualifying Shareholder without interest by means of cheque(s) despatched by ordinary post to his/her/its registered addresses at his/her/its own risk on or before Friday, 16 December 2011.

If any of the conditions of the Rights Issue (as set out in the paragraphs headed “Conditions of the Rights Issue and the Underwriting Agreement” in this “Letter from the Board”) is not fulfilled, the monies received in respect of the application for excess Rights Shares will be returned without interest to the Qualifying Shareholders, and in the case of joint applicants to the registered address of the first-mentioned person at their own risk on or before Friday, 16 December 2011.

LETTER FROM THE BOARD

All cheques or cashier's orders will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and lodgment of an EAF together with a cheque or cashier's order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or cashier's order will be honoured on first presentation. Without prejudice to its other rights in respect thereof, the Company reserves the right to reject any EAF in respect of which the cheque or cashier's order is dishonoured on first presentation. An EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier's orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the Registrars. The Company may, at its discretion, treat an EAF as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions.

Application for listing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. Nil-paid Rights Shares are expected to be traded in board lots of 1,000 (as the Shares are currently traded on the Stock Exchange in board lots of 1,000). No part of the securities of the Company in issue or for which listing or permission to deal is being or is proposed to be sought is listed or dealt in on any other stock exchange.

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy and other applicable fees and charges in Hong Kong.

It is expected that dealings in the Rights Shares in nil-paid form will commence on Monday, 28 November 2011 and will end on Monday, 5 December 2011 (both days inclusive) and dealings in the Rights Shares in fully-paid form will commence on Tuesday, 20 December 2011.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

LETTER FROM THE BOARD

Non-Qualifying Shareholders

As at the Record Date, the Company has Shareholders with registered addresses as shown on the register of members in 11 jurisdictions outside Hong Kong. Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Company has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Rights Shares to such Shareholders.

The Company has obtained legal advice regarding the legal restrictions under the laws of the relevant jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions that would or may apply if the offer of Rights Shares is made in (i) those territories or jurisdictions within the Included Jurisdictions (other than Hong Kong), namely Macau and Taiwan and (ii) those territories or jurisdictions outside the Included Jurisdictions, namely Canada, Japan, Luxembourg, Malaysia, the Netherlands, Singapore, Switzerland, the United Kingdom and the United States, based on the register of members of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, the aggregate shareholding of Shareholders with addresses in the Included Jurisdictions represented approximately 99.77% of the then issued share capital of the Company, while the aggregate shareholding of Shareholders with registered addresses in jurisdictions other than the Included Jurisdictions (i.e. the jurisdictions mentioned in (ii) above) only represented approximately 0.23% of the then issued share capital of the Company. On the basis of the advice received and taking into account the small percentage of shareholdings held in aggregate by the Non-Qualifying Shareholders based on the register of members of the Company as at the Latest Practicable Date, the Board considers that it is necessary or expedient and in the interests of the Company and Shareholders as a whole not to offer the Rights Shares to the Non-Qualifying Shareholders because of the time and costs involved in complying with the relevant legal and regulatory requirements. However, assistance will be provided to the Non-Qualifying Shareholders to realise the value of their entitlements, if a premium (net of expenses) can be obtained, by way of disposal of the nil-paid Rights Shares which would otherwise be allotted to them in the market as described below.

Accordingly, no PAL or EAF has been sent to any of the Non-Qualifying Shareholders. In addition, no person receiving a PAL or an EAF in any territory or jurisdiction other than the Included Jurisdictions may treat it as an offer or invitation to apply for the Rights Shares, unless in a territory or jurisdiction where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof.

Where permitted by the laws of the relevant jurisdictions, the Company will send this Prospectus to the Non-Qualifying Shareholders for their information only, provided that this Prospectus shall not be sent to the Non-Qualifying Shareholders who are known by the Company to be resident in the United States or Malaysia.

Notwithstanding any other provision in the Rights Issue Documents, the Company reserves the right to permit any Shareholder (whether as a direct holder or beneficial owner) whose registered address is in, or who is otherwise resident in, a jurisdiction other than Hong Kong to take up his/her/its rights if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations in that jurisdiction which would otherwise give rise to restrictions upon the offer or take-up of rights in that jurisdiction.

LETTER FROM THE BOARD

Receipt of this Prospectus and/or a PAL and/or an EAF or the crediting of nil-paid Rights Shares to any stock account (including in CCASS) does not and will not constitute an offer in any jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus and/or a PAL and/or an EAF must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this Prospectus and/or a PAL and/or an EAF or whose stock account in CCASS is credited with nil-paid Rights Shares should not, in connection with the Rights Issue, distribute or send the same in, into or from, or transfer nil-paid Rights Shares to any person in, into or from, any jurisdiction outside the Included Jurisdictions. If a PAL or an EAF or a credit of nil-paid Rights Shares in CCASS is received by any person in any such territory, or by his/her/its agent custodian, nominee or trustee, he/she/it should not seek to take up the rights referred to in the PAL or transfer the PAL (or apply for any excess Rights Shares under the EAF) or transfer the nil-paid Rights Shares in CCASS unless the Company, in its absolute discretion, determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, agents, custodians, nominees and trustees) who does forward this Prospectus and/or a PAL and/or an EAF in, into or from, any jurisdiction outside the Included Jurisdictions (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

It is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself/itself as to the observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any government or other consents, and to pay any taxes and duties required to be paid in such territory or jurisdiction in connection therewith. Any acceptance of the offer of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been fully complied with. If you are in doubt as to your position, you should consult your own professional advisers. The Company reserves the right to treat as invalid any acceptances of or applications for the Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Furthermore, the Company reserves the right to treat as invalid any purported acceptance of the provisional allotment of Rights Shares comprised in a PAL and/or any application for excess Rights Shares under an EAF or to refuse to register any purported renunciation of the rights represented thereby if it appears to the Company or its agents that acceptance of such provisional allotment of Rights Shares or renunciation or the registration of such renunciation may involve a breach of the laws or regulations of any territory or jurisdiction or if in respect thereof the Shareholder or its agent has not given the declaration set out in the PAL and/or an EAF in respect of such matters.

Arrangements have been made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence on the Stock Exchange but before the last date for dealings in nil-paid Rights Shares, if a premium (net of expenses) can be obtained. The proceeds of such sales, less expenses, will be paid by the Company to the relevant Non-Qualifying Shareholders pro rata to their shareholdings in the Company at 5:00 p.m. on the Record Date in Hong Kong dollars if any of such Non-Qualifying Shareholders is entitled to an individual amount of more than HK\$100. The Company will retain individual amounts of HK\$100 or less for its own benefit. It is expected that cheques for such proceeds of sale, if any, will be despatched to those entitled thereto by ordinary post at their own risk on or before Friday, 16 December 2011. These arrangements do not extend to anyone who is not a Non-Qualifying Shareholder but as regards whom the Company exercises its right referred to above to treat their acceptance or application as invalid.

LETTER FROM THE BOARD

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date	:	8 November 2011
Underwriter	:	HSBC
Number of Rights Shares	:	5,900,850,966 Rights Shares
Number of Underwritten Shares	:	3,066,280,645 Underwritten Shares (this figure excludes 2,834,570,321 Rights Shares to be provisionally allotted to the Undertaking Shareholders and the LSG Subsidiaries)
Commission	:	3% of the aggregate Subscription Price of the total Underwritten Shares which amounts to approximately HK\$8.3 million

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Underwriter is an Independent Third Party.

Subject to the fulfillment of the conditions (or any waiver, as the case may be, by the Underwriter) contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Underwriter has agreed to subscribe or procure subscribers for all Underwritten Shares that are not taken up by the subscribers in the Rights Issue.

The Board considers that the Underwriting Agreement is on normal commercial terms and is fair and reasonable so far as the Shareholders are concerned.

Conditions of the Rights Issue and the Underwriting Agreement

The Rights Issue is conditional upon (i) the Underwriting Agreement becoming unconditional and not being terminated and (ii) permission to deal in and listing of all the Rights Shares (in their nil-paid and fully-paid forms) being granted by the Stock Exchange and not being withdrawn or revoked prior to the Latest Time for Termination.

The Underwriting Agreement is conditional upon the following conditions being fulfilled:

- (a) permission to deal in and listing of all the Rights Shares (in their nil-paid and fully-paid forms) being granted (subject only to allotment and despatch of the appropriate documents of title) by the Stock Exchange by no later than the Business Day prior to the commencement of trading of the Rights Shares (in their nil-paid and fully-paid forms respectively) and such permission not being withdrawn or revoked prior to the Latest Time for Termination;

LETTER FROM THE BOARD

- (b) all necessary consents, approvals and waivers being obtained from all relevant governmental and regulatory authorities, including the Stock Exchange and the SFC, by the Company and LSG, as the case may require in connection with the Rights Issue and the entering into of the Underwriting Agreement, by the relevant time as set out in the Underwriting Agreement (where applicable) that each consent and approval is required;
- (c) compliance with and performance of the obligations of the Company taking place by the times specified in the Underwriting Agreement in connection with the making of the Rights Issue and the allotment and offer of the Rights Shares;
- (d) compliance with and performance of the obligations of LSG taking place by the times specified in the Underwriting Agreement in connection with its irrevocable undertaking under the Underwriting Agreement;
- (e) compliance with and performance of the obligations of the Irrevocable Undertaking Shareholder under the Irrevocable Undertaking by the times specified in the Irrevocable Undertaking;
- (f) receipt by the Underwriter (in a form and substance reasonably satisfactory to it) of all relevant documents by the times specified in the Underwriting Agreement provided that, where such document is specified to be delivered in draft or agreed form, no changes shall be made to it without the prior consent of the Underwriter; and
- (g) in respect of the warranties and the undertakings in the Underwriting Agreement, by the latest time for termination: (i) no material breach of any of the warranties or the undertakings having come to the knowledge of the Underwriter; (ii) the Underwriter not having any cause to believe that any material breach of the warranties or the undertaking has occurred or may reasonably be expected to occur; and (iii) a matter not having arisen which might be expected to give rise to a material breach or a claim.

The Company shall use its reasonable endeavours to procure the fulfillment of each of the above conditions, and LSG shall use its reasonable endeavours to procure the fulfilment of the conditions set out in (d) above and, to the extent applicable to it, (b) and (g) above, by the due time and/or date referred to in each case (or if no date is specified, by the Latest Time for Termination) and to procure that each of such conditions is fulfilled in sufficient time so that the Latest Time for Termination falls on or before 5:00 p.m. on Tuesday, 20 December 2011 (or such later date as the Underwriter may agree) and in particular shall furnish such information, supply such documents, pay (in the case of the Company) such fees, and do all such acts and things as may reasonably be required by the Stock Exchange in connection with the making of the Rights Issue and the listing of the Rights Shares.

If any of the above conditions shall not have been fulfilled or waived in accordance with the terms of the Underwriting Agreement by the Underwriter by the specified time and date, or if the Latest Time for Termination occurs, or will occur, after 5:00 p.m. on Tuesday, 20 December 2011 (or such later date as the Underwriter may agree), the Underwriting Agreement shall terminate (save in respect of certain rights and obligations under the Underwriting Agreement) and the Rights Issue will not proceed.

LETTER FROM THE BOARD

The Underwriter shall have the right, in its absolute discretion, by giving notice to the Company on or before the latest time at which, or the latest day on which, any of the above conditions may be fulfilled:

- (a) to extend the deadline for the fulfilment of any such condition by such time or number of days or in such manner as the Underwriter may determine;
- (b) to waive such condition (other than the conditions set out in (a) and (b) above), and such waiver may be made subject to such terms and conditions as the Underwriter may reasonably determine.

Lock up

Lock up provisions under the Underwriting Agreement

The Company has undertaken to the Underwriter that for the period from the date of the Underwriting Agreement and ending on the date which is 90 days from the Closing Date, except with the prior written consent of the Underwriter, the Company will not (except for the Rights Shares):

- (a) save for any options which have an exercise date falling after 5:00 p.m. on Tuesday, 20 December 2011 (or such later date as the Underwriter may agree) which the Company may grant pursuant to the share option scheme adopted by the Company on 22 December 2006, allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares;
- (b) buy back, cancel, retire, reduce, redeem, re-purchase, purchase or otherwise acquire any Shares;
- (c) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (a) or (b) above; or
- (d) announce any intention to enter into or effect any such transaction described in (a), (b) or (c) above.

LSG has undertaken that it will not, and shall procure that the LSG Subsidiaries (and, as the case may be, the Nominee) shall not, without first having obtained the prior written consent of the Underwriter:

- (a) transfer or otherwise dispose of (including without limitation the agreement to dispose of, or the creation of any option or derivative) or acquire any Share or any interest therein between the date of the Underwriting Agreement and the Record Date; or
- (b) transfer or otherwise dispose of (including without limitation the agreement to dispose of, or the creation of any option or derivative) or acquire (except by taking up Rights Shares provisionally allotted to them pursuant to the Rights Issue and pursuant to the Underwriting Agreement) any Share or any interest therein between the Record Date and the latest time for acceptance.

LETTER FROM THE BOARD

LSG has undertaken to the Company and the Underwriter that from the latest time for acceptance until 90 days from the Closing Date, except with the prior written consent of the Underwriter, it will not and will procure that each of the LSG Subsidiaries (and, as the case may be, the Nominee), whether individually or together and whether directly or indirectly, will not:

- (a) in respect of any Lock Up Shares:
 - (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any of the Lock Up Shares or any interests therein beneficially owned or held by LSG or the LSG Subsidiaries or any of their controlled companies or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Lock Up Shares or interests;
 - (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Lock Up Shares, whether any such transaction described in (a)(i) or (a)(ii) is to be settled by delivery of Shares or such other securities, in cash or otherwise; or
 - (iii) announce any intention to enter into or effect any such transaction described in (a)(i) or (a)(ii) above; and
- (b) in respect of the Other Shares, do anything mentioned in (a)(i), (a)(ii) and (a)(iii) above, save for pledging or otherwise encumbering the Other Shares or any interest therein as security for the purpose of obtaining bona fide borrowings from a bank or other financial institution.

LSG has undertaken that it shall not dispose of any interest whatsoever in the LSG Subsidiaries for the period from the date of the Underwriting Agreement and ending on the date which is 90 days from the Closing Date.

Lock up provisions under the Irrevocable Undertaking

The Irrevocable Undertaking Shareholder has undertaken that he will not, without first having obtained the prior written consent of the Underwriter:

- (a) transfer or otherwise dispose of (including without limitation, the agreement to dispose of, or the creation of any option or derivative) or acquire any Share or any interest therein between the date of the Irrevocable Undertaking and the Record Date; or
- (b) transfer or otherwise dispose of (including without limitation, the agreement to dispose of, or the creation of any option or derivative) or acquire (except by taking up the 4,208,160 Rights Shares provisionally allotted to him pursuant to the Rights Issue and the Irrevocable Undertaking) any Share or any interest therein between the Record Date and the latest time for acceptance.

LETTER FROM THE BOARD

The Irrevocable Undertaking Shareholder has undertaken that he shall not (without first having obtained the prior written consent of the Underwriter, such consent not to be unreasonably withheld or delayed) dispose of any interest whatsoever in Wisdoman Limited and LSG for the period from the date of the Irrevocable Undertaking and ending on the date which is 90 days from the Closing Date.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing to the Company, the right to terminate the Underwriting Agreement on the occurrence of certain events.

The Underwriter may at any time prior to the Latest Time for Termination terminate the Underwriting Agreement if:

- (a) any material breach of any of the warranties or the undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter, or there has been a material breach on the part of the Company or LSG of any other provision of the Underwriting Agreement, or the Underwriter has cause to believe that any such breach has occurred or that any matter has arisen which might be expected to give rise to such breach or a claim; or
- (b) there occurs an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which, if it had occurred or arisen before the date of the Underwriting Agreement, would have rendered any of the warranties untrue, incorrect, incomplete or misleading in any material respects; or
- (c) any statement contained in this Prospectus has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect, or matters have arisen or have been discovered which would, if this Prospectus was to be issued at the time, constitute a material omission therefrom; or
- (d) the Company is required to produce a supplementary prospectus pursuant to Rule 11.13 of the Listing Rules; or
- (e) there is any adverse change or prospective adverse change in the business, condition, results of operations, management, shareholders' equity or in the financial or trading position of the Group which, in the sole opinion of the Underwriter acting in good faith, is or may be materially adverse in the context of the Rights Issue; or
- (f) permission to deal in and listing of all the Rights Shares (in their nil-paid and fully-paid forms) has been withdrawn by the Stock Exchange; or
- (g) any suspension of dealings in the Shares for a period of three consecutive Business Days or longer (other than pending publication of announcements in respect of the Rights Issue); or

LETTER FROM THE BOARD

- (h) there has occurred, happened, come into effect or comes to the knowledge of the Underwriter any event, series of events or circumstances concerning or relating to (whether or not foreseeable):
- (i) any change in, or any event or series of events likely to result in any change in, (whether or not permanent) local, national or international financial, political, military, industrial, economic, legal, fiscal, regulatory or securities market matters or conditions or currency exchange rates or exchange controls in or affecting the PRC, Hong Kong, the European Union (or any member thereof) or the United States; or
 - (ii) any event or circumstance in the nature of force majeure (including, without limitation, any act of government, economic sanctions, strike or lock-out (whether or not covered by insurance), riot, fire, explosion, flooding, earthquake, civil commotion, act or declaration of war, outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), act of God, pandemic, epidemic, outbreak of infectious disease, declaration of a state of emergency or calamity or crisis, in or affecting the PRC, Hong Kong, the European Union (or any member thereof) or the United States; or
 - (iii) the declaration of a banking moratorium by PRC, Hong Kong, the European Union (or any member thereof) or United States authorities; or
 - (iv) any moratorium, suspension or restriction on trading in shares or securities generally, or the establishment of minimum prices, on the Stock Exchange, the Shanghai Stock Exchange, London Stock Exchange plc, the New York Stock Exchange, Inc. or NASDAQ, or any major disruption of any securities settlement or clearing services in Hong Kong; or
 - (v) any new law or regulation or any change, or any development involving a prospective change, in existing laws or regulations in Hong Kong or any other place in which any member of the Group conducts or carries on business,

the effect of which events and circumstances referred to in this paragraph (h), individually or in the aggregate (in the sole opinion of the Underwriter acting in good faith): (1) is or may be materially adverse to, or prejudicially affects or may prejudicially affect, the Group as a whole or the Rights Issue; or (2) makes or may make it inadvisable or inexpedient to proceed with the Rights Issue on the terms and in the manner contemplated in the Announcement and the Rights Issue Documents.

If prior to the Latest Time for Termination any notice to rescind or terminate the Underwriting Agreement is given by the Underwriter, the obligations of all parties thereunder shall terminate forthwith and no party will have any claim against any other for costs, damages, compensation or otherwise (save in respect of certain rights or obligations under the Underwriting Agreement including rights of the parties thereto in respect of any antecedent breach). If the Underwriter exercises such right, the Rights Issue will not proceed.

LETTER FROM THE BOARD

IRREVOCABLE UNDERTAKINGS OF THE UNDERTAKING SHAREHOLDERS

As at the Latest Practicable Date, the Undertaking Shareholders (in the case of LSG, directly and indirectly through the LSG Subsidiaries) hold an aggregate of 6,802,968,777 Shares, representing approximately 48.04% of the existing issued share capital of the Company.

LSG

LSG has provided an irrevocable undertaking under the Underwriting Agreement to the Company and the Underwriter, undertaking, among other things:

- (a) to accept or procure the acceptance of the Rights Shares to be provisionally allotted to LSG (and, as the case may be, the Nominee) and each of the LSG Subsidiaries under the Rights Issue in proportion to the Shares registered in their names (or, as the case may be, in the name of the Nominee) as at the date of the Underwriting Agreement (and which LSG undertakes to the Company and to the Underwriter will remain, and to procure that the LSG Subsidiaries (and, as the case may be, the Nominee) will remain, registered in the same names as at 5:00 p.m. on the Record Date) by no later than 4:00 p.m. on the third Business Day the Rights Issue is open for acceptance;
- (b) to lodge, and shall procure that each of the LSG Subsidiaries (and, as the case may be, the Nominee) shall, lodge PALs in respect of the Rights Shares provisionally allotted to them with the Registrars with payment therefor in accordance with the terms of the Rights Issue Documents by no later than 4:00 p.m. on the third Business Day after the Rights Issue becomes open for acceptance; and
- (c) that it shall not make, and shall procure that the LSG Subsidiaries (and, as the case may be, the Nominee) shall not make, any excess applications pursuant to the EAF.

The Irrevocable Undertaking Shareholder

The Irrevocable Undertaking Shareholder has provided an irrevocable undertaking under the Irrevocable Undertaking to the Company and the Underwriter, undertaking, among other things:

- (a) to accept the 4,208,160 Rights Shares to be provisionally allotted to the Irrevocable Undertaking Shareholder in respect of the 10,099,585 Shares beneficially owned by the Irrevocable Undertaking Shareholder and registered in the name of HKSCC Nominees Limited pursuant to the terms of the Rights Issue by no later than 4:00 p.m. on the third Business Day the Rights Issue is open for acceptance;
- (b) to ensure the 10,099,585 Shares registered in the name of HKSCC Nominees Limited will remain registered in the said name as at 5:00 p.m. on the Record Date as they are on the date of the Irrevocable Undertaking;

LETTER FROM THE BOARD

- (c) to procure the lodgment of the PALs in respect of the aforesaid 4,208,160 Rights Shares with the Registrars, with payment in full therefor in cash (whether by cheque, bank cashier's order, telegraphic transfer or such other form as the Company and the Underwriter may approve) by no later than 4:00 p.m. on the third Business Day the Rights Issue is open for acceptance; and
- (d) not to make any application for excess Rights Shares.

SHAREHOLDING STRUCTURE

The changes in the shareholding structure of the Company arising from the Rights Issue (assuming there is no change in the shareholding structure of the Company from the Latest Practicable Date to completion of the Rights Issue and that there are no Non-Qualifying Shareholders) are as follows:

Name of the Shareholders	As at the Latest Practicable Date		Shareholding upon completion of the Rights Issue			
	No. of Shares	%	Assuming 0% Right Shares are taken up by the subscribers in the Rights Issue other than the Undertaking Shareholders and the LSG Subsidiaries		Assuming 100% Right Shares are taken up by the subscribers in the Rights Issue	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dr. Lam (Note 1)	10,099,585	0.07	14,307,745	0.07	14,307,745	0.07
LSG (Note 1)	6,792,869,192	47.97	9,623,231,353	47.97	9,623,231,353	47.97
The Directors (Note 2)	6,833,400	0.05	6,833,400	0.03	9,680,650	0.05
The Underwriter (Note 3)	–	–	3,066,280,645	15.28	–	–
Public Shareholders	<u>7,352,240,143</u>	<u>51.91</u>	<u>7,352,240,143</u>	<u>36.65</u>	<u>10,415,673,538</u>	<u>51.91</u>
Total	<u>14,162,042,320</u>	<u>100.00</u>	<u>20,062,893,286</u>	<u>100.00</u>	<u>20,062,893,286</u>	<u>100.00</u>

Notes:

- (1) LSG is approximately 8.07% directly beneficially owned by Dr. Lam and is approximately 29.99% owned by Wisdoman Limited which is in turn 50% owned by Dr. Lam. LSG, by itself and through the LSG Subsidiaries, namely Joy Mind Limited and Zimba International Limited, holds an aggregate of 6,792,869,192 Shares, representing approximately 47.97% of the issued share capital of the Company.
- (2) This represents the aggregate shareholding of the Directors other than Dr. Lam.
- (3) Pursuant to its underwriting obligations. If the Underwriter is required pursuant to its underwriting obligations to take up Shares which have not been otherwise subscribed under the Rights Issue, the Underwriter may become a substantial shareholder of the Company.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders should note that the existing Shares have been dealt in on an ex-rights basis from Friday, 18 November 2011. The Rights Shares in their nil-paid form will be dealt in from Monday, 28 November 2011 to Monday, 5 December 2011 (both days inclusive). The Rights Issue is conditional upon (i) the Underwriting Agreement becoming unconditional and not being terminated and (ii) permission to deal in and listing of all the Rights Shares (in their nil-paid and fully-paid forms) being granted by the Stock Exchange and not being withdrawn or revoked prior to the Latest Time for Termination. If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Any Shareholder or other person contemplating transferring, selling or purchasing Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or Rights Shares. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

PUBLIC FLOAT

The Company will continue to comply with the public float requirement under Rule 8.08 of the Listing Rules after completion of the Rights Issue and in particular, if the public shareholding falls below the public float percentage approved by the Stock Exchange, the Company will take appropriate steps to ensure that sufficient public float exists.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

Reasons for the Rights Issue

The Directors believe that it is in the best interest of the Company and its Shareholders as a whole to enlarge the capital base of the Company through the Rights Issue in order to support the continuing development of the Group's existing business activities and to replenish the Company's cash reserves following the acquisition of the Observatory Road Project, particulars of which are set out in, amongst others, the July 2011 Announcement, the October 2011 Announcement and the October 2011 Circular.

The Group had expended an aggregate consideration of approximately HK\$844 million (the "**Acquisition Consideration**") in the acquisition of a 50% interest in the Observatory Road Project and such acquisition was completed on 11 November 2011. Henderson Land Development Company Limited, through Financial Express International Limited 豐越國際有限公司 (collectively the "**Henderson Group**"), had also completed its acquisition of an additional 10% interest in the Observatory Road Project on the same day. Therefore, the Group would not be entitled to exercise the option under the Acquisition Agreement to acquire the remaining 10% interest in the Observatory Road Project from the vendors of the Observatory Road Project. The Observatory Road Project is currently held indirectly on a 50:50 basis between the Group and the Henderson Group.

LETTER FROM THE BOARD

The Acquisition Consideration had been paid out of the Group's cash reserves. As disclosed in the October 2011 Circular, the current estimated redevelopment cost of the Observatory Road Project is approximately HK\$611 million. In addition to the Acquisition Consideration, the Group is currently expected to provide a maximum amount of approximately HK\$306 million to Best Value International Limited, being the project company in the Observatory Road Project, to fund its 50% share of the redevelopment cost of the Observatory Road Project. The Group is currently in discussions with its joint venture partner in the Observatory Road Project regarding different options for funding the redevelopment cost. As such, there is a possibility that the redevelopment cost may need to be funded (i) in the form of a shareholder's loan or (ii) bank loans to be obtained at the project company level (provided that bank borrowing is available and on the terms and conditions acceptable to the Group and its joint venture partner in the Observatory Road Project).

In addition to the Observatory Road Project, the Group is currently also working on the development of property development projects located in Hong Kong at, namely, 3 Connaught Road Central, No. 4 Shung Shun Street, Yau Tong and 335-339 Tai Hang Road. These projects all draw on the Group's existing cash reserves and banking facilities. Hence, proceeds from the Rights Issue will help replenish and add to the existing cash reserves of the Group to support the continuing development costs and other expenses associated with these projects and other future business activities and initiatives of the Group.

Furthermore, the Rights Issue enables the Company to carry out a fund raising exercise while the Qualifying Shareholders are given the opportunity to maintain their respective pro rata shareholding interests in the Company by participating in the Rights Issue. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.**

Use of Proceeds

The estimated net proceeds of the Rights Issue will be approximately HK\$515 million. The Company intends to apply the net proceeds of the Rights Issue for general working capital purposes (including the replenishment of the cash reserves of the Group to support the continuing development costs and other expenses associated with the Observatory Road Project and the other projects mentioned in the sub-section headed "Reasons for the Rights Issue" above and other future business activities and initiatives of the Group).

The estimated expenses of the Rights Issue (including underwriting fees, printing, registration, translation, legal, accounting, and documentation charges and other related expenses) amount to approximately HK\$16 million and will be borne by the Company. The net subscription price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares is expected to be approximately HK\$0.087 per Rights Share.

TAXATION

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding or disposal of, or dealing in the Rights Shares and as regards the Non-Qualifying Shareholders, their receipt of the net proceeds of sale of the Rights Shares

LETTER FROM THE BOARD

in their nil-paid form otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accept responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares.

EQUITY FUND RAISING OF THE COMPANY

Equity Fund raising activities of the Company during the past 12 months

Save for the Rights Issue, the Company has not conducted any fund raising exercises in connection with any issue of equity securities in the past 12 months immediately preceding the Latest Practicable Date.

SHAREHOLDERS' APPROVAL NOT REQUIRED

There is no requirement under the Listing Rules for the Rights Issue to be approved by Shareholders in general meeting.

INFORMATION OF THE GROUP

The principal business activities of the Group are property development, property investment, investment in and operation of hotels in Vietnam and restaurants in Hong Kong and the mainland of the PRC, and investment holding. The Company, through one of its subsidiaries, owns an approximate 37.93% shareholding interest in eSun, which is an investment holding company and the principal business activities of the subsidiaries of eSun include the development and operation of and investment in media, entertainment as well as music production and distribution, the investment in and production and distribution of film and video format products, the provision of advertising agency services and the sale of cosmetic products. eSun also owns a (i) 40.58% shareholding interest in LFH, an investment holding company the principal business activities of which are property investment and development in the PRC and (ii) a 51.09% in Media Asia Group Holdings Limited, whose principal activities include the operation of, and investment in media and entertainment businesses including film production, television drama production and distribution, events management, investment in movie cinemas and artiste management, all with a primary focus in the PRC and Macau markets.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

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

1. THREE YEARS' SUMMARY OF FINANCIAL RESULTS

Financial information of the Group for each of the three years ended 31 July 2009, 2010 and 2011 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.laisun.com>):

- annual report of the Company for the year ended 31 July 2009 published on 23 November 2009 (pages 40 to 120);
- annual report of the Company for the year ended 31 July 2010 published on 19 November 2010 (pages 48 to 125); and
- annual report of the Company for the year ended 31 July 2011 published on 21 November 2011 (pages 45 to 121).

2. INDEBTEDNESS

As at 30 September 2011, being the latest practicable date prior to the printing of this Prospectus for the purpose of this indebtedness statement, the Group had secured banking facilities (excluding amounts repaid and cancelled pursuant to the respective terms of the facilities) of approximately HK\$2,999 million. The amounts of outstanding borrowings under these secured banking facilities were approximately HK\$2,624 million.

As at 30 September 2011, certain investment properties with total carrying amounts of approximately HK\$7,743 million (being their carrying amounts as at 31 July 2011 as disclosed in the annual report of the Company for the year ended 31 July 2011), certain items of property, plant and equipment with carrying amounts of approximately HK\$241 million, prepaid land lease payments of approximately HK\$26 million, certain properties under development of approximately HK\$1,010 million and certain bank balances and time deposits with banks of approximately HK\$86 million were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure loan facilities granted to the Group. Certain shares of an associate held by the Group were pledged to a bank to secure a loan facility granted to this associate. Certain shares of an investee company held by the Group were pledged to a bank to secure a loan facility granted to this investee company. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

As at 30 September 2011, the Group had the following material contingent liabilities:—

- (a) The Group had a contingent liability of approximately HK\$289,779,000 in respect of a guarantee given by the Group to a bank for a loan facility granted to an associate of the Group.

- (b) In connection with the disposal (the “Disposal”) of 100% interests in Majestic Hotel and Majestic Centre, Kowloon, Hong Kong by Taiwa Land Investment Company Limited (“Taiwa”), an indirect 50% owned associate of the Group, Taiwa, the Company, and the other 50% beneficial shareholder of Taiwa (collectively the “Covenantors”) entered into a tax deed (the “Tax Deed”) with the purchaser of the Disposal, and Majestic Hotel Enterprises Holding Limited and Majestic Centre Holding Limited and their subsidiaries (collectively the “Properties Holding Companies”) on 17 July 2007. Pursuant to the Tax Deed, the Covenantors severally agreed to indemnify the Properties Holding Companies against any taxation on profits levied by relevant tax authority in Hong Kong resulting from events happened prior to the completion of the Disposal for a maximum amount of HK\$30,000,000. As such, the maximum liability of the Company under the Tax Deed is HK\$15,000,000. The Tax Deed is valid for a period of 7 years from the date of its execution.
- (c) Pursuant to an indemnity deed (the “LFH Tax Indemnity Deed”) dated 12 November 1997 entered into between the Company and LFH, the Company has undertaken to indemnify LFH in respect of certain potential PRC income tax and land appreciation tax (“LAT”) payable or shared by LFH in consequence of the disposal of any of the property interests attributable to LFH through its subsidiaries and its associates as at 31 October 1997 (the “Property Interests”). These tax indemnities given by the Company apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited (currently known as “Knight Frank Petty Limited”), independent chartered surveyors, as at 31 October 1997 (the “Valuation”); and (ii) the aggregate costs of such Property Interests incurred up to 31 October 1997, together with the amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests. The LFH Tax Indemnity Deed assumed that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing PRC income tax and LAT prevailing at the time of the Valuation.

The indemnities given by the Company do not cover (i) new properties acquired by LFH subsequent to the listing of the shares of LFH on the Stock Exchange (the “Listing”); (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of LFH as set out in LFH’s prospectus dated 18 November 1997.

After taking into account the Property Interests currently held by LFH as at 30 September 2011 which are covered under LFH Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the total amount of tax indemnity given by the Company is estimated to be HK\$1,336,996,000. A provision for the tax indemnity in an amount of HK\$518,570,000 was recognised in the consolidated financial statements of the Group for the year ended 31 July 2011 as disclosed in the annual report of the Company for the year ended 31 July 2011.

Save as aforesaid and apart from intra-group liabilities, the Group did not, as at 30 September 2011, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Company or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

The Directors are not aware of any material change in the indebtedness and contingent liability position of the Group since 30 September 2011.

3. WORKING CAPITAL

The Directors are of the opinion that, in the absence of any unforeseen circumstances and after taking into account (i) the internal resources of the Group; (ii) the available banking facilities of the Group; and (iii) the estimated net proceeds from the proposed Rights Issue, the Group has sufficient working capital for its present requirements and for at least the next 12 months from the date of this Prospectus.

4. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 July 2011, the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The principal business activities of the Group are property development, property investment, investment in and operation of hotels in Vietnam and restaurants in Hong Kong and the mainland of the PRC, and investment holding. The Company, through one of its subsidiaries, owns an approximate 37.93% shareholding interest in eSun, which is an investment holding company and the principal business activities of the subsidiaries of eSun include the development and operation of and investment in media, entertainment as well as music production and distribution, the investment in and production and distribution of film and video format products, the provision of advertising agency services and the sale of cosmetic products. eSun also owns (i) a 40.58% shareholding interest in LFH, an investment holding company the principal business activities of which are property investment and development in the PRC and (ii) a 51.09% in Media Asia Group Holdings Limited, whose principal activities include the operation of, and investment in media and entertainment businesses including film production, television drama production and distribution, events management, investment in movie cinemas and artiste management, all with a primary focus in the PRC and Macau markets.

Property investment

The Group wholly owns three major investment properties in Hong Kong: Causeway Bay Plaza 2, Cheung Sha Wan Plaza and Lai Sun Commercial Centre. In March 2011, the Group completed the acquisition of an 100% interest in an office building in London for investment holding purposes.

Rent levels for office and commercial properties in prime locations in Hong Kong have remained strong in 2010 and 2011. The operating conditions for most retail, consumption and commercial sectors in Hong Kong have performed favorably given the strong retail spending from Mainland visitors. The demand for high quality commercial properties in traditional commercial districts is strong given the lack of new supply coming on stream and this has resulted in an uptick of rental rates. Improved local consumption expenditure and strong retail spending by the Mainland visitors provide further impetus to the Hong Kong retail property market.

In the coming year, the Group will continue to upgrade its commercial investment properties as well as tenant mix so that it can continue to maintain high occupancy rates and strong rental cashflow.

Property development

The Group owns 100% and 50% interest in the completed residential projects Emerald 28 at Tai Po Road, Kowloon and The Oakhill at Wood Road, Wanchai, Hong Kong, respectively. The Group also wholly owns a number of residential projects under development in Hong Kong, namely the residential-cum-commercial property development project at Yau Tong, Kowloon and the residential development project at Tai Hang Road, Hong Kong.

The continued economic growth, a low interest rate environment, ample liquid funds and a tight market supply of residential units have extended the bullish sentiment towards Hong Kong's residential properties since early 2010. As pre-cautionary measures against the rising risks of inflation and the development of a property bubble, the Hong Kong Government and the Hong Kong Monetary Authority in November 2010 introduced a series of tightening measures, including the levy of a special stamp duty on short-term property transactions and the direction to mortgage lenders to lower the loan-to-value ratio for mortgage loans to ease property speculation. Between November 2010 and early 2011, the market experienced a short-term consolidation, evidenced by a sharp drop in the transaction volume of residential properties. Starting from early 2011, the market gradually stabilised as transaction volume and prices of residential properties edged up modestly. The recovery has reinforced market sentiment and re-opened the window for the primary sale of residential projects. The low interest rate environment and a tight supply of new residential units in urban areas are expected to contribute towards a steady development of the residential property market in Hong Kong.

In 2010, the Group has managed to capture the strong growth in the Hong Kong residential property market by achieving satisfactory sales performances for The Oakhill and Emerald 28 projects that it owns 50% and 100% respectively. The Group intends to sell the remaining units at The Oakhill and Emerald 28 and start the preparation work for the pre-sale of the residential development project in Yau Tong.

Connaught Road Central Project (Redevelopment of the former The Ritz-Carlton Hong Kong site)

This is the joint redevelopment project of the site of the former Ritz-Carlton Hotel in Central. This redevelopment project is a 50:50 joint venture between the Group and a wholly-owned subsidiary of China Construction Bank Corporation (“CCB”). The buildable gross floor area is approximately 225,000 square feet. The redeveloped project will be an office tower that is expected to become a landmark property in Central featuring underground access to the MTR station in Central. Part of the redeveloped property, upon its completion, will be used by CCB as offices of its Hong Kong operations. Total construction cost of the project is estimated to be approximately HK\$1,100,000,000.

Superstructure work commenced in April 2010. The building is expected to be completed in the third quarter of 2012.

Observatory Road Project

On 12 July 2011, the Group announced the acquisition of a 50% interest as well as an option to acquire an additional 10% interest in parcels of ground at Observatory Road, Kowloon with the buildings currently erected there known as Nos. 2, 4, 6, 8, 10 and 12, Observatory Road, Kowloon. The Group plans to redevelop the site into a multi-storey commercial building with a total gross floor area of approximately 165,000 square feet. The total development cost is estimated to be about HK\$2.3 billion (including the land cost). The building is expected to be completed in 2014.

Resolutions approving the acquisition, the option and the financial assistance to be provided by the Group for the redevelopment of the land were duly passed at the extraordinary general meeting of the Company on 22 October 2011. Completion of the acquisition of a 50% interest took place on 11 November 2011.

APPENDIX II PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets (the “**Unaudited Pro Forma Financial Information**”) of the Group has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had taken place on 31 July 2011.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the consolidated net tangible assets of the Group as at 31 July 2011, as extracted from the published annual report of the Group for the year ended 31 July 2011, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give true picture of the consolidated net tangible assets to equity shareholders following the Rights Issue.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 July 2011 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company after completion of the Rights Issue as at 31 July 2011 <i>HK\$'000</i>
Consolidated net tangible assets	<u>11,959,041</u>	<u>515,077</u>	<u>12,474,118</u>
Audited consolidated net tangible assets per Share attributable to the equity holders of the Company, prior to the completion of the Rights Issue <i>(Note 3)</i>	<u>HK\$0.844</u>		
Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company, after the completion of the Rights Issue <i>(Note 4)</i>			<u>HK\$0.622</u>

APPENDIX II PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the Company's equity holders as at 31 July 2011 is extracted from the published annual report of the Group for the year ended 31 July 2011.
- (2) The estimated net proceeds from the Rights Issue of approximately HK\$515 million are based on 5,900,850,966 Rights Shares to be issued (in the proportion of 5 Rights Shares for every 12 existing Shares held as at the Record Date which is 14,162,042,320 Shares) at the subscription price of HK\$0.09 per Rights Share and after the deduction of estimated related expenses of approximately HK\$16,000,000.
- (3) The calculation of audited consolidated net tangible assets per Share attributable to the equity holders of the Company prior to the completion of the Rights Issue is based on 14,162,042,320 Shares in issue as at 31 July 2011.
- (4) The calculation of unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company after the completion of the Rights Issue is based on 20,062,893,286 Shares which comprise of 14,162,042,320 Shares in issue as at 31 July 2011 and 5,900,850,966 Rights Shares to be issued.
- (5) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 July 2011.

2. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the reporting accountants of the Group, Ernst & Young, Certified Public Accountants, Hong Kong.



Ernst & Young
18 Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

安永會計師事務所
香港中環金融街8號
國際金融中心2期18樓
電話：+852 2846 9888
傳真：+852 2868 4432

Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

The Board of Directors
Lai Sun Development Company Limited

Dear Sirs,

We report on the unaudited pro forma adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of Lai Sun Development Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Company (the “Directors”) for illustrative purposes only, to provide information about how the proposed rights issue of 5,900,850,966 rights shares of the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated 24 November 2011 (the “Prospectus”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 July 2011 or any future dates.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

24 November 2011

RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and following completion of the Rights Issue were and are expected to be as follows:–

<i>Authorised:</i>		<i>HK\$</i>
<u>27,000,000,000</u>	Shares	<u>270,000,000</u>
<u>1,200,000,000</u>	preference shares of HK\$1.00 each	<u>1,200,000,000</u>
<i>Issued and fully paid or credited as fully paid</i>		<i>HK\$</i>
<u>14,162,042,320</u>	Shares as at the Latest Practicable Date	<u>141,620,423.20</u>
<u>5,900,850,966</u>	Rights Shares to be issued	<u>59,008,509.66</u>
<i>Issued and fully paid share capital upon completion of the Rights Issue</i>		<i>HK\$</i>
<u>20,062,893,286</u>	Shares	<u>200,628,932.86</u>

All of the Shares and the Rights Shares in issue and to be issued rank and will rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. The Shares and the Rights Shares in issue and to be issued are or will be listed on the Main Board of the Stock Exchange.

As at the Latest Practicable Date, the Group does not have any capital which is under option, or agreed conditionally or unconditionally to be put under option.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of each of the Directors and the chief executive of the Company and their respective associates in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) notified to the Company and the Stock Exchange pursuant to the Code of Practice for the Securities Transactions by Directors and Designated Employees adopted by the Company (the “Code”) were as follows:

(1) The Company

Name of Director	Long positions in the Shares					Total Interests	Approximate % of Total Interests to Total Issued Shares
	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity		
Lam Kin Ngok, Peter	14,307,745 (Note 1)	Nil	9,623,231,353 (Note 2)	Nil	Beneficial owner/ Owner of controlled corporations	9,637,539,098	68.05%
Lau Shu Yan, Julius	6,200,000	Nil	Nil	Nil	Beneficial owner	6,200,000	0.044%
U Po Chu (Note 3)	633,400	Nil	Nil	Nil	Beneficial owner	633,400	0.004%

Notes:

- (1) These Shares include the Rights Shares that have been provisionally allotted to Dr. Lam under the Rights Issue and which are to be accepted by Dr. Lam under the Irrevocable Undertaking.
- (2) These Shares include the Rights Shares that have been provisionally allotted to each of LSG and the LSG Subsidiaries under the Rights Issue and which are to be accepted by LSG and to be procured by LSG to be accepted by the LSG Subsidiaries respectively under the Underwriting Agreement.

LSG and two of its wholly-owned subsidiaries, namely Zimba International Limited and Joy Mind Limited, beneficially owned a total of 9,623,231,353 Shares, representing approximately 67.95% of the issued share capital of the Company. Dr. Lam was deemed to be interested in the same 9,623,231,353 Shares by virtue of, in aggregate, his approximate 38.06% personal and deemed interests in the issued share capital of LSG. LSG is approximately 8.07% owned by Dr. Lam and is approximately 29.99% owned by Wisdoman Limited which is in turn 50% beneficially owned by Dr. Lam.

- (3) Madam U is the widow of the late Mr. Lim Por Yen whose estate includes an interest of 197,859,550 Shares.

(2) Associated Corporation

eSun – an associate of the Company

Name of Director	Long positions in the shares of HK\$0.50 each in eSun				Capacity	Total Interests	Approximate % of Total Interests to Total Issued Shares
	Personal Interests	Family Interests	Corporate Interests				
Lam Kin Ngok, Peter	2,794,443	Nil	471,604,186 (Note)		Beneficial owner/ Owner of controlled corporations	474,398,629	38.16%
Cheung Wing Sum, Ambrose	1,194,443	Nil	Nil		Beneficial owner	1,194,443	0.10%

Note:

LSG was interested in 9,623,231,353 Shares, representing approximately 67.95% of the issued share capital of the Company. Transtrend Holdings Limited, a wholly-owned subsidiary of the Company, was interested in 471,604,186 shares in eSun, representing approximately 37.93% of the issued share capital of eSun. As such, Dr. Lam was deemed to be interested in the same 471,604,186 issued shares in eSun by virtue of, in aggregate, his approximate 38.06% and 68.05% personal and deemed interests in the issued share capital of LSG and the Company respectively.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) entered in the register required to be kept pursuant to Section 352 of the SFO or (iii) notified to the Company and the Stock Exchange pursuant to the Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as was known by or otherwise notified to the Directors and chief executive of the Company, as at the Latest Practicable Date, the following corporations or persons (other than a Director or chief executive of the Company) had 5% or more interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares of the Company

Name	Capacity	Nature of Interests	Number of Shares	Approximate % of Shares in Issue
Lai Sun Garment (International) Limited	Beneficial owner/ Owner of controlled corporation	Corporate	9,623,231,353 (Note 1)	67.95%
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	Personal and corporate	9,637,539,098 (Notes 1 and 2)	68.05% (Note)
Peter Cundill & Associates (Bermuda) Limited	Investment manager	Corporate	903,108,000	6.38%
HSBC Holdings plc	Owner of controlled corporation	Corporate	3,066,280,645 (Note 3)	15.28%

Notes:

- (1) These Shares include the Rights Shares that have been provisionally allotted to each of LSG and the LSG Subsidiaries under the Rights Issue and which are to be accepted by LSG and to be procured by LSG to be accepted by the LSG Subsidiaries respectively under the Underwriting Agreement.
- (2) These Shares include the Rights Shares that have been provisionally allotted to Dr. Lam under the Rights Issue and which are to be accepted by Dr. Lam under the Irrevocable Undertaking.

LSG and two of its wholly-owned subsidiaries, namely Zimba International Limited and Joy Mind Limited, beneficially owned 9,623,231,353 Shares, representing approximately 67.95% of the issued share capital of the Company. Dr. Lam was deemed to be interested in the same 9,623,231,353 Shares by virtue of, in aggregate, his approximate 38.06% personal and deemed interests in the issued share capital of LSG.

- (3) These Shares represent the Underwritten Shares underwritten by HSBC under the Rights Issue. The percentage of interest is calculated based on the enlarged issued share capital of the Company upon completion of the Rights Issue. According to the notice of interest filed by HSBC Holdings plc on 11 November 2011, HSBC is 100% controlled by HSBC Asia Holdings BV; HSBC Asia Holdings BV is 100% controlled by HSBC Asia Holdings (UK) Limited; HSBC Asia Holdings (UK) Limited is 100% controlled by HSBC Holdings BV; HSBC Holdings BV is 100% controlled by HSBC Finance (Netherlands); and HSBC Finance (Netherlands) is 100% controlled by HSBC Holdings plc. By virtue of the SFO, each of HSBC Asia Holdings BV, HSBC Asia Holdings (UK) Limited, HSBC Holdings BV, HSBC Finance (Netherlands) and HSBC Holdings plc is deemed to be interested in the Shares in which HSBC is interested.

DIRECTORS' SERVICE CONTRACTS

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or be determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

Save as disclosed herein, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 July 2011 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

There is no contract or arrangement subsisting as at the Latest Practicable Date, in which any of the Directors are materially interested and which is significant to the business of the Group.

MATERIAL CONTRACTS

The Group had entered into the following material contracts (not being contracts entered into in the ordinary course of business of the Group) within two years immediately preceding the Latest Practicable Date:

- (a) the Underwriting Agreement;
- (b) the conditional sale and purchase agreement dated 12 July 2011 (the “**Acquisition Agreement**”) and entered into between, amongst others, Luck Reach Limited (“**Luck Reach**”), Focal Point Services Limited (“**Focal Point**”), Keyfull Investment Limited (“**Keyfull**”), Cypress Vine Corporation (“**Cypress**”) and the Company in relation to, among other things, the acquisition for an aggregate consideration of HK\$845,635,574 (subject to adjustment in accordance with the terms and conditions of the Acquisition Agreement) settled in cash by Lucky Reach from Focal Point, Keyfull and Cypress of 50% of the shares in, and loans owing by, Best Value International Limited (“**Best Value**”), a company, together with its subsidiaries, principally engaged in the acquisition, holding and preparation for the development of the Observatory Road Project, particulars of which are set out in the July 2011 Announcement, the October 2011 Announcement and the October 2011 Circular; and
- (c) the documentation dated 10 December 2009 involving the unconditional and irrevocable guarantee and undertaking given by the Company in favour of China Construction Bank Corporation, Hong Kong Branch, on a several basis, to guarantee the performance by Diamond String Limited (“**Diamond String**”) of its obligations under the secured syndicated term loan facility granted to Diamond String of up to HK\$1,530 million for the purposes of financing the redevelopment of the land and property at No. 3 Connaught Road Central, Central, Hong Kong, and to undertake to be responsible for the cost overruns in relation to completion of the aforesaid redevelopment project (in each case, in proportion to the Company’s shareholding interest in Diamond String), particulars of which are set out in, amongst others, the announcement of the Company dated 11 December 2009 and the circular of the Company dated 13 October 2009.

LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the members of the Group.

EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has provided its advice for inclusion in this Prospectus:

Name	Qualification
Ernst & Young	Certified public accountants

The above expert has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it is included.

As at the Latest Practicable Date, the above expert was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had since 31 July 2011 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

PARTICULARS OF DIRECTORS**(a) Business address**

The business address of all the Directors is the same as the address of the Company's registered office at 11/F., Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

(b) Brief biographical details

Executive Directors

Each of the executive Directors (“**Executive Directors**”) named below holds directorships in a number or certain of the subsidiaries of the Company and all of them hold directorships in all or certain of the Company’s listed affiliates, namely LSG, eSun, LFH and Media Asia Group Holdings Limited (“**MAGH**”, formerly known as “Rojam Entertainment Holdings Limited”). The issued shares of LSG, eSun and LFH are listed and traded on the Main Board of the Stock Exchange and MAGH’s issued shares are listed and traded on the Growth Enterprise Market of the Stock Exchange. LSG is the controlling shareholder of the Company which in turn is the controlling shareholder of eSun, while eSun is the controlling shareholder of LFH and the ultimate holding company of MAGH.

Dr. Lam Kin Ngok, Peter, Chairman, aged 54, has been an Executive Director since June 1977 and is a member of the Executive Committee of the Company. He is also the deputy chairman of LSG, the chairman of LFH and an executive director of eSun and CGL. Further, he was appointed the chairman and an executive director of MAGH on 16 June 2011. Dr. Lam has extensive experience in the property development and investment business, hospitality and media and entertainment business. He was conferred an Honorary Doctorate of the Academy by The Hong Kong Academy for Performing Arts in June 2011.

Currently, Dr. Lam is a director of The Real Estate Developers Association of Hong Kong. He is also chairman of Hong Kong Chamber of Films Limited and the Entertainment Industry Advisory Committee of the Hong Kong Trade Development Council, honorary chairman of Hong Kong Motion Picture Industry Association Limited, vice chairman of the Hong Kong Film Development Council and a member of the Hong Kong Tourism Board. In addition, Dr. Lam is a trustee of The Better Hong Kong Foundation, a member of the 11th National Committee of the Chinese People’s Political Consultative Conference, a member of Friends of Hong Kong Association Limited and a director of Hong Kong-Vietnam Chamber of Commerce Limited. Dr. Lam is the son of Madam U Po Chu, a non-executive Director and a younger brother of Dr. Lam Kin Ming, another non-executive Director.

Mr. Lau Shu Yan, Julius, Chief Executive Officer, aged 55, joined the Company as an Executive Director in July 1991 and is a member of the Executive Committee of the Company. He is also an executive director of LFH. Prior to joining the Lai Sun Group, he was a director of Jones Lang Wootton Limited and subsequently Jardine Fleming Broking Limited. Mr. Lau is a director and a member of the Executive Committee of The Real Estate Developers Association of Hong Kong.

Mr. Tam Kin Man, Kraven, aged 64, joined the Lai Sun Group in 1989 and was appointed an Executive Director in November 2005 and is a member of the Executive Committee of the Company. He is also an executive director of LFH and LSG and a director of Furama Hotel Enterprises Limited. Mr. Tam is a fellow member of the Real Estate Institute of Canada and has over 30 years’ experience in property development, investment and management. He also has over 20 years’ experience in the hospitality business including hotels, restaurants and clubs in Asia and North America.

Mr. Cheung Wing Sum, Ambrose, aged 60, was appointed an Executive Director in November 2005 and is a member of the Executive Committee of the Company. Mr. Cheung is also an executive director of eSun. He is a business executive with a legal and banking background. He has about 30 years' experience in mergers and acquisitions, management and development of hotels, hospitality and property industries. He was previously a partner of Woo, Kwan, Lee & Lo and Philip KH Wong, Kennedy YH Wong & Co, and an executive director of Sino Land Company Limited. Mr. Cheung is a Justice of the Peace and a recipient of Medal of Honour awarded by the Government of the Hong Kong Special Administrative Region ("HKSAR") in 2009 and over the last 30 years, he served on a number of public bodies and committees, which included the Legislative Council, the Urban Council and the Hong Kong Stadium Board of Governors. He is currently an elected member of the Shamshuipo District Council, the chairman of Insurance Agents Registration Board and a member of the Hong Kong Institute of Certified Public Accountants Council and the Advisory Committee, School of Hotel and Tourism Management, The Chinese University of Hong Kong.

Mr. Lui Siu Tsuen, Richard, aged 56, was appointed an Executive Director on 1 January 2011. He joined eSun in April 2010 as the chief operating officer of its Media and Entertainment Division, and became an executive director of eSun with effect from 1 July 2010. Mr. Lui was also appointed the chief executive officer of eSun and an executive director of LSG and LFH respectively with effect from 1 January 2011. Further, he was appointed an executive director of MAGH on 16 June 2011. Mr. Lui has over 25 years of experience in property investment, corporate finance and media and entertainment business. He is a fellow member of each of the Hong Kong Institute of Certified Public Accountants and The Chartered Institute of Management Accountants in the UK and an Associate of The Institute of Chartered Accountants in England and Wales. Mr. Lui holds a Master of Business Administration degree from The University of Adelaide in Australia.

Mr. Lui is currently an independent non-executive director of Prosperity Investment Holdings Limited and 21 Holdings Limited, both listed on the Main Board of the Stock Exchange. Prior to joining eSun, Mr. Lui was a director of Hanny Holdings Limited and Rosedale Hotel Holdings Limited (formerly known as "Wing On Travel (Holdings) Limited"), both listed on the Main Board of the Stock Exchange. He was also a director of PSC Corporation Ltd., a company listed on the Singapore Exchange Limited, and a director of MRI Holdings Limited, a company previously listed on the Australian Securities Exchange.

Mr. Cheung Sum, Sam, aged 47, was appointed an Executive Director on 1 March 2011 and is a member of the Remuneration Committee of the Company. Mr. Cheung is also an executive director of each of eSun and LFH and the chief operating officer of the Lai Sun Group. He was an executive director of Brightoil Petroleum (Holdings) Limited from November 2009 to November 2010. From early June 2007 to early October 2009, he was an executive director of the Company and LFH.

Prior to joining the Company and LFH in 2007, Mr. Cheung worked for a number of other listed companies and international investment banks in Hong Kong. He has extensive experience in corporate finance and financial management. Mr. Cheung graduated from the London School of Economics and Political Science, University of London with a Bachelor of Science (Economics) degree in Accounting and Finance. He is a fellow member of the Association of Chartered Certified Accountants in the UK and the Hong Kong Institute of Certified Public Accountants.

Non-Executive Directors

Dr. Lam Kin Ming, aged 74, has been a Director of the Company since June 1959. He is also the chairman of LSG, the chairman and chief executive officer of CGL and the deputy chairman of LFH. Dr. KM Lam has been involved in the management of garment business since 1958. He received an honorary doctoral degree from the International American University in 2009. He is the elder brother of Dr. Lam.

Madam U Po Chu, aged 86, has been a Director of the Company since December 1993. She is also a non-executive director of LSG and eSun and an executive director of LFH. Madam U has over 55 years' experience in the garment manufacturing business and had been involved in the printing business since the mid-1960's. She started to expand the business to fabric bleaching and dyeing in the early 1970's and became involved in property development and investment in the late 1980's. Madam U is the mother of Dr. Lam.

Mr. Wan Yee Hwa, Edward, aged 75, was appointed an Independent Non-Executive Director of the Company in June 2008 and re-designated as a Non-Executive Director of the Company on 1 February 2011. Mr. Wan is a member of both the Remuneration Committee and the Audit Committee of the Company. He is currently also a non-executive director of LSG and an executive director of CGL. Mr. Wan is a fellow of the Hong Kong Institute of Certified Public Accountants and has been a certified public accountant in Hong Kong since 1961.

Independent non-executive Directors

Mr. Lam Bing Kwan, aged 62, was appointed an Independent Non-Executive Director in July 2002 and is a member of both the Audit Committee and the Remuneration Committee of the Company. Mr. Lam graduated from the University of Oregon in the United States with a Bachelor of Business Administration degree in 1974. He has substantial experience in the property development and investment in the PRC, having been closely involved in this industry since the mid-1980's. Mr. Lam has served on the boards of directors of a number of listed companies in Hong Kong for over 10 years and is currently a non-executive director of Sino-i Technology Limited and Nan Hai Corporation Limited, both listed on the Main Board of the Stock Exchange and an independent non-executive director of LSG, LFH and eForce Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Leung Shu Yin, William, aged 62, was appointed an Independent Non-Executive Director in September 2004 and is the chairman of both the Remuneration Committee and the Audit Committee of the Company. Mr. Leung is a certified public accountant, a member of the Hong Kong Securities Institute and a fellow of both the Association of Chartered Certified Accountants in the UK and the Hong Kong Institute of Certified Public Accountants. He is practising as a practising director of two Certified Public Accountants' firms in Hong Kong and is also an independent non-executive director of LSG, CGL and Mainland Headwear Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Ip Shu Kwan, Stephen, aged 60, was appointed an Independent Non-Executive Director of the Company in December 2009. Mr. Ip graduated from the University of Hong Kong with a degree in Social Sciences in 1973. He joined the Hong Kong Government in November 1973 and was promoted to the rank of Director of Bureau in April 1997. He worked in the Government of the HKSAR as a Principal Official from July 1997 to June 2007. Senior positions held by Mr. Ip in the past included Commissioner of Insurance, Commissioner for Labour, Secretary for Economic Services and Secretary for Financial Services. Mr. Ip took up the position of Secretary for Economic Development and Labour on 1 July 2002. His portfolio in respect of economic development covered air and sea transport, logistics development, tourism, energy, postal services, meteorological services, competition and consumer protection. He was also responsible for labour policies including matters relating to employment services, labour relations and employees' rights. Mr. Ip retired from the Government of the HKSAR in July 2007.

Mr. Ip has been appointed an independent non-executive director of eight other publicly-listed companies, namely Yangtze China Investment Limited since February 2008, Synergis Holdings Limited since September 2008, China Resources Cement Holdings Limited since August 2008, Coolpoint Energy Limited since June 2010, PICC Property and Casualty Company Limited since 17 January 2011 (until resignation on 1 November 2011), Milan Station Holdings Limited since 28 April 2011, Kingboard Laminates Holdings Limited since 4 May 2011 and Luk Fook Holdings (International) Limited since 1 October 2011. While the first-mentioned company is listed in the UK, all the other seven companies are listed in Hong Kong. Mr. Ip received the Gold Bauhinia Star award from the Government of the HKSAR in 2001, and is an unofficial Justice of the Peace.

PARTIES INVOLVED IN THE RIGHTS ISSUE

Underwriter of the Rights Issue	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Legal adviser to the Company	Baker & McKenzie 14th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong
Legal adviser to the Underwriter	Norton Rose Hong Kong 38th Floor, Jardine House 1 Connaught Place Central, Hong Kong
Reporting accountants	Ernst & Young Certified public accountants 18th Floor Two International Finance Centre 8 Finance Street, Central Hong Kong

Registrars

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East,
Wanchai, Hong Kong

Authorised representatives

Dr. Lam Kin Ngok, Peter
Mr. Lau Shu Yan, Julius
Mr. Kwok Siu Man
(alternate to Dr. Lam Kin Ngok, Peter)
Mr. Chow Kwok Wor
(alternate to Mr. Lau Shu Yan, Julius)

11/F., Lai Sun Commercial Centre,
680 Cheung Sha Wan Road,
Kowloon, Hong Kong

EXPENSES

The expenses in connection with the Rights Issue, including the underwriting commission, printing, registration, translation, legal, accounting, and documentation charges are estimated to be approximately HK\$16 million and will be payable by the Company.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of this Prospectus, together with copies of PAL and EAF and the written consent referred to in the paragraphs headed "Expert's Qualification and Consent" in this appendix have been delivered to the Registrar of Companies in Hong Kong for registration as required by Section 38D of the Companies Ordinance.

LEGAL EFFECT

The Rights Issue Documents and all acceptances of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies Ordinance, so far as applicable.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 6:00 p.m.) on Monday to Friday unless (i) a tropic cyclone warning signal number 8 or above is hoisted, or (ii) a black rainstorm warning signal is issued, except public holidays, from the date of this Prospectus up to and including 8 December 2011 at the registered office in Hong Kong of the Company:

- (a) the Letter from the Board, the text of which is set out on pages 12 to 33 of this Prospectus;
- (b) the report on unaudited pro forma statement of consolidated net tangible assets of the Group as set out in Appendix II to this Prospectus;

- (c) the written consent referred to in the paragraphs headed “Expert’s Qualification and Consent” in this appendix;
- (d) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
- (e) the annual reports of the Company for the years ended 31 July 2009, 2010 and 2011;
- (f) the memorandum and articles of association of the Company;
- (g) a copy of each circular of the Company pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules since 31 July 2011 (being the date to which the latest published audited consolidated financial statements of the Group were made up); and
- (h) this Prospectus.

GENERAL

- (a) The registered address of the Company is situated at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.
- (b) Mr. Kwok Siu Man (“**Mr. Kwok**”) is the company secretary of the Company. Mr. Kwok is a fellow member of The Institute of Chartered Secretaries and Administrators and The Institute of Financial Accountants in England and The Hong Kong Institute of Chartered Secretaries (the “**HKICS**”) and a member of the Hong Kong Securities Institute. He also possesses professional qualifications in arbitration, taxation, financial planning and human resources management. In addition, he holds a bachelor’s degree of arts in accountancy and a post-graduate diploma in laws and has passed the Common Professional Examinations in England and Wales. In 1999, he received induction into International WHO’s WHO of Professionals, an international organization which establishes a network of international elite professionals.

Having been the reviewer and chief examiner of the “Hong Kong Company Secretarial Practice / Corporate Secretaryship” of the international membership qualifying examinations of the HKICS for about a decade and participated in the review of the Hong Kong law variant modules thereof for a number of years, Mr. Kwok holds the record of the HKICS of its longest-serving council member and director.

(c) The principal bankers of the Company are:

Bank of China (Hong Kong) Limited
17th Floor, Bank of China Centre,
Olympian City,
11 Hoi Fai Road,
West Kowloon, Hong Kong

China Construction Bank Corporation,
Hong Kong Branch
44-45/F, Tower One, Lippo Centre,
89 Queensway,
Admiralty, Hong Kong

Chong Hing Bank Limited
G/F., Chong Hing Bank Centre,
24 Des Voeux Road Central,
Hong Kong

Citibank, N.A. Hong Kong Branch
45th Floor, Citibank Tower,
Citibank Plaza,
3 Garden Road,
Central, Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central,
Hong Kong

The Bank of East Asia, Limited
10 Des Voeux Road Central,
Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central,
Hong Kong

(d) This Prospectus is prepared in both English and Chinese. In the event of any inconsistency, the English text shall prevail.