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

If you have sold or transferred all your shares in Shun Ho Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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SHUN HO HOLDINGS LIMITED

順豪控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 253)

**VERY SUBSTANTIAL ACQUISITION
AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
ENHANCE INVEST INC.
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders

AMASSE CAPITAL
寶 積 資 本

A letter from the board of directors of Shun Ho Holdings Limited is set out on pages 5 to 19 of this circular.

A notice convening the extraordinary general meeting of Shun Ho Holdings Limited (the “Company”) to be held at 3rd Floor, Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong on Friday, 19 May 2017 at 9:00 a.m. is set out on pages 97 to 98 of this circular. Shareholders are advised to read the notice and to complete the accompanying form of proxy for use at the extraordinary general meeting in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the extraordinary general meeting if they so wish.

25 April 2017

DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Shares and the Sale Loan by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement
“Agreed Acquisition Value”	HK\$1,000,000,000, being the value attributed to the Property (and all those fixtures and fittings affixed to, and plants and equipment in the Property which should be free from Encumbrances) as agreed between the Vendor and the Purchaser
“Amasse” or “Independent Financial Adviser”	Amasse Capital Limited, a licensed corporation under the SFO licensed to conduct Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Business Day(s)”	a day (other than Saturday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which the banks are generally open for normal banking business in Hong Kong
“Company”	Shun Ho Holdings Limited 順豪控股有限公司 (formerly known as Shun Ho Resources Holdings Limited (順豪資源集團有限公司)), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 253)
“Completion”	the completion of the sale and purchase of the Sale Shares and Sale Loan pursuant to the terms and conditions of the Sale and Purchase Agreement

DEFINITIONS

“Conditions”	the conditions precedent to Completion under the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“Conradion”	Conradion Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Vendor
“Consideration”	the aggregate consideration of HK\$1,000,000,000 (subject to adjustment) for the sale and purchase of the Sale Shares and the Sale Loan pursuant to the Sale and Purchase Agreement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Dr. Lee”	Dr. The Honourable Lee Shau Kee, GBM, the Chairman, a director and controlling shareholder of Henderson Land
“Dudley” or “Independent Professional Valuer”	Dudley Surveyors Limited, an independent professional valuer
“EGM”	the extraordinary general meeting of the Company to be held on 19 May 2017 at 9:00 a.m. to approve the Sale and Purchase Agreement and transactions contemplated thereunder
“Enlarged Group”	the Company and its subsidiaries including the Target Company, immediately after Completion
“Group”	the Company and its subsidiaries
“Henderson Land”	Henderson Land Development Company Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 12)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Houston Venture” or the “Purchaser”	Houston Venture Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of Shun Ho Property
“Independent Board Committee”	the independent board committee of the Company, comprising three of the independent non-executive Directors
“Independent Shareholders”	shareholders of the Company other than Mr. Cheng and his associates
“Kingslee S.A.” or the “Vendor”	Kingslee S.A., a company incorporated in the Republic of Panama
“Latest Practicable Date”	20 April 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	17 August 2017 (or such later date(s) as may be agreed in writing between the Vendor and the Purchaser)
“Magnificent Hotel”	Magnificent Hotel Investments Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 201)
“Mr. Cheng”	Mr. William Cheng Kai Man, Chairman, a director and controlling shareholder of each of Shun Ho Holdings, Shun Ho Property and Magnificent Hotel
“Property”	the property situate at No.88 Chun Yeung Street, North Point, Hong Kong and known as Newton Inn
“Sale and Purchase Agreement”	the sale and purchase agreement dated 17 February 2017 entered into between Kingslee S.A. as vendor and Houston Venture Limited as purchaser
“Sale Loan”	the aggregate amount then outstanding and owing by Conradion to the Vendor as at Completion

DEFINITIONS

“Sale Shares”	2 shares of US\$1.00 each in the Target Company, representing the entire issued share capital of the Target Company
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“SHP EGM”	an extraordinary general meeting of Shun Ho Property to be convened to approve, among other matters (if any), the Sale and Purchase Agreement
“SHP Group”	Shun Ho Property and its subsidiaries
“SHP Independent Shareholders”	shareholders of Shun Ho Property other than Mr. Cheng and his associates
“Shun Ho Property”	Shun Ho Property Investments Limited 順豪物業投資有限公司 (formerly known as Shun Ho Technology Holdings Limited 順豪科技控股有限公司), a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange (Stock Code: 219)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Enhance Invest Inc., a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiary
“Valuation Report”	the valuation report prepared by the Independent Professional Valuer on the valuation of the Property
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“sq.ft.”	square feet
“%”	per cent

LETTER FROM THE BOARD



SHUN HO HOLDINGS LIMITED

順豪控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 253)

Executive Directors:

Mr. William CHENG Kai Man (*Chairman*)

Mr. Albert HUI Wing Ho

Registered Office:

3rd Floor, Shun Ho Tower,

24-30 Ice House Street,

Central, Hong Kong

Non-executive Director:

Madam Mable LUI FUNG Mei Yee

Independent Non-executive Directors:

Mr. Vincent KWOK Chi Sun

Mr. CHAN Kim Fai

Mr. HUI Kin Hing

25 April 2017

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
ENHANCE INVEST INC.**

1. INTRODUCTION

In the joint announcement dated 17 February 2017 and published on the same date, the boards of directors of the Company and Shun Ho Property jointly announced that the Purchaser (a wholly-owned subsidiary of Shun Ho Property) had on 17 February 2017 entered into the Sale and Purchase Agreement with the Vendor (a wholly-owned subsidiary of Henderson Land and a deemed connected person of the Company) pursuant to which the Vendor had conditionally agreed to sell and the Purchaser had conditionally agreed to purchase, the Sale Shares, representing the entire issued share capital of the Target Company, together with the Sale Loan. The Consideration shall be HK\$1,000,000,000 subject to adjustment, which shall be satisfied by cash payment by the Purchaser to the Vendor in the manner as set out in this Sale and Purchase Agreement. The Target Company owns 100% interest in Conradion which is the legal and beneficial owner of the Property.

LETTER FROM THE BOARD

Since one or more of the applicable percentage ratios in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules, and is therefore subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules. Further, Dr. Lee is interested in approximately 73.08% of Henderson Land which indirectly owns 100% interest in the Vendor. Mr. Cheng, the Chairman and an executive director and the controlling shareholder of each of the Company and Shun Ho Property, is the son-in-law of Dr. Lee. The Vendor is thus a deemed connected person of both the Company and Shun Ho Property under Rule 14A.21 of the Listing Rules. Therefore, the Acquisition also constitutes a connected transaction for each of the Company and Shun Ho Property under Chapter 14A of the Listing Rules and is subject to, among other things, the approval of the Independent Shareholders in the EGM and SHP Independent Shareholders in the SHP EGM, respectively.

Mr. Cheng is also considered to have material interest in the Acquisition. As such, Mr. Cheng and his respective associates will abstain from voting on the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

The purpose of this circular is to provide you with, among other things, (i) further information on the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) financial information of the Target Group; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iv) a letter of advice from the Independent Financial Adviser; (v) the valuation report on the Property by the Independent Professional Valuer engaged by the Purchaser; and (vi) the notice convening the EGM and a proxy form.

2. THE ACQUISITION

The Sale and Purchase Agreement

Date:	17 February 2017
Vendor:	Kingslee S.A., a wholly-owned subsidiary of Henderson Land and a deemed connected person of the Company
Purchaser:	Houston Venture Limited, a wholly-owned subsidiary of Shun Ho Property
The Purchaser's Guarantor:	Shun Ho Property guaranteeing the due performance and discharge by the Purchaser of its obligations under the Sale and Purchase Agreement
Assets to be Acquired:	the entire issued share capital of Enhance Invest Inc. and the Sale Loan owed by Conradion to the Vendor. As at 31 March 2017, the Sale Loan amounted to HK\$346,140,105

LETTER FROM THE BOARD

Consideration:

the Consideration for the Sale Shares and the Sale Loan of the Acquisition is HK\$1,000,000,000 (subject to adjustments based on the net assets value of the Target Company upon Completion on excluding the Property, the Sale Loan and deferred tax assets and liabilities etc.) payable in cash by the Purchaser in the following manner:

- (i) HK\$100,000,000, representing 10% of the total consideration for the Acquisition, had been paid by the Purchaser to the Vendor upon signing of the Sale and Purchase Agreement; and
- (ii) the remaining balance will be paid upon on Completion.

Shun Ho Property will fund the Acquisition through internal resources and bank borrowings. Shun Ho Property and the Company **will not** raise fund by way of equity financing to fund the Acquisition.

Basis for consideration:

The Consideration was determined after arm's length negotiation between the parties to the Sale and Purchase Agreement, taking into account, among other things, (a) the quality and size of the Property; (b) the re-building potential of the Property; (c) the unaudited net asset value of the Target Group as at 31 December 2016; and (d) the carrying value of the Property in the financial statements of the Target Group equal to the valuation of the Property by adopting the market approach of HK\$1,000,000,000 as at 31 December 2016 valued by the Independent Professional Valuer engaged by Henderson Land for annual financial reporting purposes.

Completion:

the date falling on the (two) 2 months after all the Conditions are fulfilled (or such other date as the Vendor and the Purchaser may agree in writing) Provided that the Completion shall in any event no later than 5:30 p.m. on the Long Stop Date.

LETTER FROM THE BOARD

Conditions:

Completion is conditional upon the following conditions precedent being satisfied on or before 5:30 p.m. on the Long Stop Date:

- (i) the independent shareholders of Shun Ho Property having approved the entering into and the performance of the Sale and Purchase Agreement by the Purchaser and Shun Ho Property and the transactions contemplated hereunder; and
- (ii) the independent shareholders of the Company having approved the entering into and the performance of the Sale and Purchase Agreement by the Purchaser and the Shun Ho Property and the transactions contemplated hereunder.

None of the Conditions can be waived by any party. If on or before 5:30 p.m. on the Long Stop Date, any of the Conditions have not been fulfilled, then the Vendor may at any time thereafter, in addition to and without prejudice to all other accrued rights or remedies available to it, terminate the Sale and Purchase Agreement by so notifying the other parties to the Sale and Purchase Agreement in writing.

3. INFORMATION OF THE TARGET GROUP

The Target Company was incorporated in the British Virgin Islands on 8 September 1989 and is wholly owned by the Vendor. The Target Company is an investment holding company which directly owns the entire issued share capital of Conradion. Conradion was incorporated in Hong Kong on 22 May 1987 and is principally engaged in investment holding. The principal asset of Conradion is the Property which is located at No. 88 Chun Yeung Street, North Point, Hong Kong and known as Newton Inn. Conradion is the sole legal and beneficial owner of the Property.

Upon completion of the Sale and Purchase Agreement, the Target Group will become subsidiaries of the Company and will be accounted for in the consolidated financial statements of the Group.

LETTER FROM THE BOARD

Set out below is the financial information of the Target Group as extracted from the accountants' report on the Target Group as set out in Appendix II to this circular for the three years ended 31 December 2014, 2015 and 2016.

	For the year ended 31 December		
	2014	2015	2016
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Revenue	18,000	18,000	18,000
Profit/(Loss) before tax	21,130	250,270	(78,376)
Profit/(Loss) after tax	19,217	248,431	(80,325)

The audited consolidated profit or loss before tax and after tax of the Target Group for each of the three years ended 31 December 2016 was arrived at after taking into account changes in fair value in investment properties of an increase of approximately HK\$9,742,000 in 2014, an increase of approximately HK\$239,302,100 in 2015 and a decrease of approximately HK\$90,348,300 in 2016, respectively.

According to the accountants' report on the Target Group as set out in Appendix II to this circular, the adjusted net asset value of the Target Group (excluding the amount due to the Henderson Land Group which will be treated as the Sale Loan and deferred tax liabilities which shall be excluded for calculation of the net asset value of the Target Company for adjustment to the Consideration) as of 31 December 2016 was approximately HK\$999,900,000. The Property was developed by the Target Group in 1999 with an aggregate land and construction costs of approximately HK\$392,014,000. All information relating to the Target Group, including information relating to its business and its financial information, as disclosed in this circular has been provided by the Vendor and is subject to the audited financial statements of the Target Group.

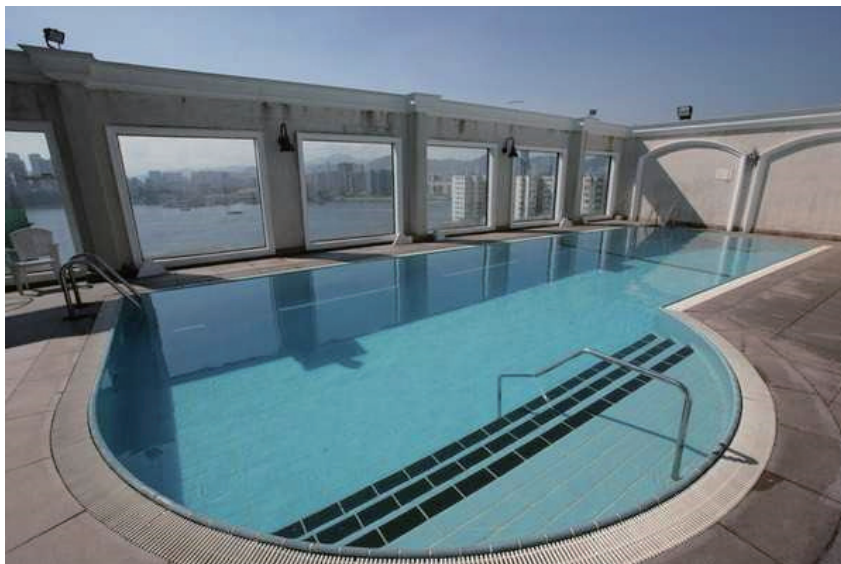
4. INFORMATION ON THE PROPERTY

The Property comprises 30 storeys and 317 guest rooms with food and beverage and swimming pool facilities and 3 retail shops located at No.88 Chun Yeung Street, North Point, Hong Kong and commonly known as "Newton Inn". The Property has a site area of 9,556 sq.ft. and an approval building plan area of 143,342 sq.ft. It features modern guestrooms with views of Kowloon Bay or the city. It also provides meeting and conference rooms and amenities for both tourists and businessmen. Further, it offers easy access to the MTR subway station, Hong Kong International Airport, shopping of Causeway Bay and the bright lights of and computer with internet connection. It is equipped with a restaurant and café and a car park providing approximately 6 car parking spaces. The Consideration of HK\$1,000,000,000, represents approximately HK\$6,900 per sq.ft. or HK\$3.1 million per room only.

LETTER FROM THE BOARD

Set out below are some pictures of the Property.

Newton Inn
88 Chun Yeung Street, North Point, Hong Kong



LETTER FROM THE BOARD

5. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors consider the low acquisition unit price presents an extremely attractive investment opportunity to acquire a large scale hotel and retail shops property located in the busiest retail, commercial and tourism area of the fast developing and bustling commercial district of North Point.

The purchase price of HK\$3.1 million per room and unit price per sq. ft. of HK\$6,976 is relatively low as compared with the market price of other recent hotel transactions in Hong Kong. The Directors also consider the Acquisition, the consideration for which is almost equal to the construction replacement value, not only offers stable recurring income for the short and medium terms but also provide future substantial capital gain potential for conversion or rebuilding into first class commercial building.

Set up below are the comparison of key data of the Acquisition with comparable recent hotel transactions.

List of Comparables (by No. of Rooms)

Hotel Property	Newton Inn	Butterfly on Morrison	Newton Place Hotel
Address	88 Chun Yeung Street	39 Morrison Hill Road	163 Wai Yip Street, Kwun Tong
Relevant Date		29/11/2016	7/2/2017
Consideration	HK\$1,000,000,000	HK\$880,000,000	HK\$2,300,000,000
Property Details			
Building Year (OP)	1999	1997	2007
No. of Storeys	30	23	32
No. of Rooms	317	98	598
Unit Rate (\$/Room)	HK\$3,154,574	HK\$8,979,592	HK\$3,846,154

LETTER FROM THE BOARD

List of Comparables (by Gross Floor Area)

Hotel Property	Newton Inn	Butterfly on Morrison	Newton Place Hotel
Address	88 Chun Yeung Street	39 Morrison Hill Road	163 Wai Yip Street, Kwun Tong
Date of Transaction		29/11/2016	7/2/2017
Consideration	HK\$1,000,000,000	HK\$880,000,000	HK\$2,300,000,000
Property Details			
Building Year (OP)	1999	1997	2007
No. of Storeys	30	23	32
Total GFA	143,342	45,145	241,688
Unit Rate (\$/sq.ft.)	HK\$6,976	HK\$19,493	HK\$9,516

Shun Ho Property will operate the Property as a hotel in a short to medium term. In the long term, the Shun Ho Property intends to rebuild the Property as a first class commercial building.

The Property is currently leased to Newton Inn (North Point) Limited which is a wholly owned subsidiary of Henderson Land and the tenant and hotel operator. The current lease will be terminated upon Completion. As the Property will be delivered with vacant possession in accordance with the Sale and Purchase Agreement, no penalty for early termination will be charged. Magnificent Hotel may also submit rental offer at a later stage and DTZ would select the tenant with the highest rental offer. Shun Ho Property does not intend to run the hotel business housed in the Property after Completion, but will seek to lease the Property to a tenant for a medium term and the tenant will be the hotel operator. DTZ Cushman & Wakefield Limited (“DTZ”) has been appointed as leasing agent to seek appropriate tenant as hotel operator for a lease term of five to six years. The appropriate tenant may be the tenant with the highest tenancy fee offered for a term of 5 to 6 years. DTZ has indicated that a tenancy fee of around HK\$40 million per annum may be achievable. Shun Ho Property expects that this will generate a stable income to the SHP Group. Under the current plan, the Company will make a decision in the long term disposition of the Property after the initial lease period of 5 to 6 years expires.

LETTER FROM THE BOARD

Because of its excellent location for retail, commercial and entertainment, the directors of Shun Ho Property has a long-term plan to convert or rebuild the superstructure for a first class retail commercial building with an area of 143,342 sq.ft. at appropriate time for long term investment. With the long term plan of commercial building development, the Board considers that it is more appropriate for Shun Ho Property to make the Acquisition rather than through its listed subsidiary, Magnificent Hotel which focuses on the investment and operation of hotels so as to maintain clear delineation of businesses between Shun Ho Property and Magnificent Hotel. The Directors of Shun Ho Property expect to invest approximately HK\$10 million to renovate the Property before the hotel business being leased and operated in the Property and such facelifting work which takes around three months to complete is expected to improve the immediate hotel property value. During the renovation period it is anticipated that no rental income will be received. The breakdown of the estimated costs for the renovation by major items is set out as follows:

Item	Estimated costs <i>(in million HK\$)</i>
1/ Changing marble tiles of the podium levels internally/externally	2
2/ Changing air-conditioning Systems	5
3/ Re-carpeting most part of the hotel	2
4/ Upgrading the operating systems of the hotel	1
	<hr/>
Total	10
	<hr/> <hr/>

The facelift/renovation will improve the appearance and attractiveness of the hotel and facilities that will attract higher rental offer which will benefit the Group immediately in terms of better income and valuation of the Property. Therefore, the renovation is in the interest of the Company and its shareholders as a whole. The Company targets to seek tenant for a term of 5 to 6 years. On a straight-line depreciation basis, the depreciation charge for the renovation work on the basis of 5 years is HK\$2 million per year, representing only 5% of the target rent per annum. The Directors therefore consider the renovation plan is beneficial to and in the interest of the Company.

For the long term, the Company will have the options of (i) office conversion for an estimated costs at the current price levels of around HK\$100 million (approximately HK\$700 per sq.ft.) or (ii) rebuilding an office superstructure for an estimated costs at the current price levels of around HK\$300 million (approximately HK\$2,100 per sq.ft.).

The Directors of Shun Ho Property consider that the office conversion proposal as an attractive long term plan because the office accommodation value in North Point district has already exceeded HK\$10,000 per sq.ft. under the current market price level. As disclosed in Note 3 to the valuation certificate in Appendix IV to this circular, the Property is situated in an area zoned as “Commercial/Residential” uses under the Draft North Point (HPA 8) Outline

LETTER FROM THE BOARD

Zoning Plan No. S/H8/25 dated 5 August 2016. There is no land premium and/or other additional costs for modifying the current land use of the Property from hotel into office building. After Completion, the Board will make a decision on the asset enhance plan to adopt and the best timing on implementation on such having considered the prevailing market conditions and the economic benefits of the plans.

Set out below are the comparison of key data of some recent similar type office property transactions in the North Point district.

Office Property	K. Wah Centre	Citicorp Centre	Island Place Tower
Date of Transaction	20/2/2017	10/3/2017	13/3/2017
Consideration	HK\$22,000,000	HK\$18,060,000	HK\$42,278,400
Area (sq.ft.)	1,752	1,204	3,303
Price per sq.ft.	HK\$12,557	HK\$15,000	HK\$12,800

The management is confident either conversion or superstructure rebuilding to office use plus the Acquisition cost will be well below HK\$10,000 per sq. ft. thus offering significant upside potentials. Since Houston Venture, is a wholly-owned subsidiary of Shun Ho Property, which in turn is a 62.02% owned subsidiary of the Company, both Shun Ho Property and the Company will benefit from the Acquisition through its shareholdings in Houston Venture.

For the above reasons, the Board is of the view that the terms of the Acquisitions are fair and reasonable and the Acquisition is in the best interests of the Company, and the shareholders of Houston Venture, Shun Ho Property and the Shareholders as a whole. The director of Shun Ho Property has stated that the Acquisition with the benefit of more income to the Shun Ho Property Group will improve its future dividend payment to its shareholders including Shun Ho Holdings which in turn will benefit the Company's future ability to pay out dividend.

6. FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Shun Ho Property and the financial results and the assets of liabilities of the Target Group will be consolidated into the Group's financial statements.

Appendix III to this circular presents the unaudited pro forma financial information of the Enlarged Group and describes the basis of preparation thereof.

Earnings

After completion of the Acquisition, the financial results of the Target Group will become the financial results of the Group. It is expected that the Group will record additional income from the Target Group offset by the financing costs for funding the Acquisition with external borrowings and internal resources. Any fair value change of the Property will also be reflected in the profit and loss of the Group. Pursuant to the unaudited pro forma statement of assets and

LETTER FROM THE BOARD

liabilities of the Group as set out in Appendix III to this circular, assuming Completion had taken place on 1 January 2016, revenue of the Group would be increased from approximately HK\$590.7 million to approximately HK\$688.7 million, and the Group's profit after tax for the year ended 31 December 2016 would increase from approximately HK\$420.9 million to approximately HK\$434.2 million.

Assets and liabilities

As set out in Appendix III to this circular, the unaudited pro forma consolidated statement of financial position of the Enlarged Group illustrates the effect of the completion of the Acquisition on the Group, assuming that the Acquisition had taken place on 31 December 2016. If the Acquisitions had been completed on 31 December 2016, the total assets of the Enlarged Group as at 31 December 2016 would have been increased from approximately HK\$7,770.9 million to approximately HK\$8,337.2 million primarily attributable to the consolidation of the Property. The total liabilities of the Enlarged Group as at 31 December 2016 would have been increased from approximately HK\$1,113.5 million to approximately HK\$1,683.0 million primarily attributable to the drawdown of bank borrowings for the settlement of the Consideration. It is not expected the Acquisition will have any substantial adverse impact on the Company's cash-flow position or its business operations and the Acquisition will not add immediate financial burden to the Company.

Gearing

The Group's gearing ratio on the basis of the Group's total liabilities as a percentage of total shareholders' equity was approximately 16.7% as at 31 December 2016. According to the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma gearing ratio of the Enlarged Group would have been increased to approximately 25.3% as if the Acquisition had been completed on 31 December 2016. This is primarily attributable to the increase in the Enlarged Group's total liabilities as the Consideration will be partly funded by borrowings.

Property value reconciliation

The table below sets forth the reconciliation of the net book value of the Target Group's property, i.e. the Property, as at 31 December 2016 with the valuation of such property as at 22 February 2017 as stated in Appendix V to this Circular.

	<i>HK\$'000</i>
Net book value as at 31 December 2016	1,000,000
Fair value change	—
	<hr/>
Valuation as at 22 February 2017	<u>1,000,000</u>

LETTER FROM THE BOARD

7. IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules, and is therefore subject to reporting, announcement, circular and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

Dr. Lee is interested in approximately 73.08% of Henderson Land which indirectly owns 100% interest in the Vendor. Mr. Cheng, the Chairman and an executive director and the controlling shareholder of each of the Company and Shun Ho Property, is the son-in-law of Dr. Lee. The Vendor is thus a deemed person of both the Company and Shun Ho Property under Rule 14A.21 of the Listing Rules. Therefore, the Acquisition also constitutes a connected transaction for each of the Company and Shun Ho Property under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM and the SHP Independent Shareholders at the SHP EGM, respectively. As such, the Acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. Accordingly, the Sale and Purchase Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the EGM.

Mr. Cheng who was deemed to be materially interested in the Acquisition through the interest of his father-in-law, Dr. Lee in the Vendor and therefore, Mr. Cheng had abstained from voting on the relevant Board resolutions of the Company and Shun Ho Property approving the Acquisition, none of the other Directors was in any way materially interested in the Acquisition.

Further, Mr. Cheng and his associates will abstain from voting on the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM. Trillion Resources Limited, a company incorporated in the British Virgin Islands with limited liability and controlled by Mr. Cheng, and which beneficially owns 154,006,125 Shares representing approximately 50.60% of the issued shares of the Company, will abstain from voting on the resolution to approve the Sale and Purchase Agreement and transactions contemplated thereunder.

An independent board committee of the Company comprising all the independent non-executive Directors has been formed to advise the Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder and an independent financial adviser has been appointed to advise the independent board committee and the Shareholders in these respects.

8. GENERAL

The Vendor, a company incorporated in the Republic of Panama with limited liability, is a wholly-owned subsidiary of Henderson Land. The Vendor is principally engaged in investment holding and its principal asset is the 100% interest in Conradion.

LETTER FROM THE BOARD

Henderson Land is a company incorporated in Hong Kong and its shares are listed on the Main Board of the Stock Exchange. Henderson Land is an investment holding company and the principal activities of its subsidiaries are property development and investment, construction, hotel operation, finance, department store operation, project management, investment holding and property management.

The Purchaser is a limited liability company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of Shun Ho Property, and is principally engaged in investment holding.

Shun Ho Property is principally an investment holding company. Through its subsidiaries, including Magnificent Hotel, the SHP Group is principally engaged in property investment, property development and leasing, investment in and operation of hotels.

The Company is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activities of the Group which are conducted through its major subsidiaries Shun Ho Property and Magnificent Hotel for property investment and leasing and investment in and operation of hotels.

9. THE EGM

Set out on pages 97 to 98 of this circular is a notice convening the EGM to be held at 3rd Floor, Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong on 19 May 2017 at 9:00 a.m. at which an ordinary resolution will be proposed and, if thought fit, passed to approve the Sale and Purchase Agreement and transactions contemplated thereunder. Mr. Cheng and his respective associates will abstain from voting on the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

A form of proxy for use by the Shareholders at the EGM is enclosed. Shareholders are advised to read the notice and to complete the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and in person at the EGM if they so wish.

LETTER FROM THE BOARD

10. VOTING BY POLL

The resolution set out in the notice of the EGM would be decided by poll in accordance with the Listing Rules and the articles of association of the Company. On a poll, every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy shall have one vote for every fully paid Share held. A Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy who is entitled to more than one vote need not use all his/its votes or cast all his/its votes in the same way. After the conclusion of the EGM, the poll results will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.shunho.com.hk.

11. RECOMMENDATION

The Independent Board Committee comprising three independent non-executive Directors, namely, Mr. Vincent Kwok Chi Sun, Mr. Chan Kim Fai and Mr. Hui Kin Hing, have been established to advise the Independent Shareholders as to whether the terms and conditions of the Sale and Purchase Agreement and transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. None of the members of the Independent Board Committee has any direct or indirect interest in the Acquisition.

With the approval of the Independent Board Committee, the Company has appointed Amasse as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of (i) the Acquisition is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote. Your attention is drawn to the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out in its letter on pages 22 to 38 of this circular.

For the reasons as set out in this letter, the Directors (excluding the independent non-executive Directors whose views are contained in the letter from the Independent Board Committee in this circular) considers that (i) the Sale and Purchase Agreement is on normal commercial terms, fair and reasonable and (ii) that the entering into of the Sale and Purchase Agreement is in the interests of the Company and Shareholders as a whole, and recommend Independent Shareholders to vote in favour of the resolution approving the Sale and Purchase Agreement and transactions contemplated thereunder.

You are advised to read carefully the letters from the Independent Board Committee and the Independent Financial Adviser contained in this circular before deciding whether or not to vote in favour of the ordinary resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated under at the EGM.

As completion of the Acquisition is subject to the fulfilment of a number of conditions precedent and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

12. ADDITIONAL INFORMATION

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

By Order of the Board
Shun Ho Holdings Limited

William CHENG Kai Man
Chairman



SHUN HO HOLDINGS LIMITED

順豪控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 253)

25 April 2017

To the Independent Shareholders

Dear Sir/Madam,

**VERY SUBSTANTIAL ACQUISITION
AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
ENHANCE INVEST INC.
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company dated 25 April 2017 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you on whether the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and how to vote on resolution regarding the Sale and Purchase Agreement and the transactions contemplated thereunder.

Amasse has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are in the interests of the Company and the Independent Shareholders as a whole and how to vote on resolution regarding the Sale and Purchase Agreement and the transactions contemplated thereunder. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 22 to 38 of the circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 19 of the circular and the additional information set out in the appendices of the circular.

LETTER OF ADVICE FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Sale and Purchase Agreement and the advice from Amasse, we are of the opinion that the terms of the Sale and Purchase Agreement are on normal commercial terms and their terms and conditions as well as the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee of Shun Ho Holdings Limited

Mr. Vincent Kwok Chi Sun

*Independent non-executive
Director*

Mr. Mr. Chan Kim Fai

*Independent non-executive
Director*

Mr. Hui Kin Hing

*Independent non-executive
Director*

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Amasse prepared for the purpose of incorporation in this circular.

AMASSE CAPITAL **寶 積 資 本**

25 April 2017

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition as contemplated under the Sale and Purchase Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 25 April 2017 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 17 February 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of Shun Ho Property) and the Vendor (a wholly-owned subsidiary of Henderson Land and a deemed connected person of the Company) entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company, together with the Sale Loan. The Consideration shall be HK\$1 billion, subject to adjustment, which shall be satisfied by cash payment by the Purchaser to the Vendor in the manner as set out in the Sale and Purchase Agreement. The Target Company owns 100% interest in Conradion which is the legal and beneficial owner of the Property.

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules, and is therefore subject to the reporting, announcement and shareholders’ approval requirements pursuant to Chapter 14 of the Listing Rules. Further, Dr. Lee is interested in approximately 73.08% of Henderson Land which indirectly owns 100% interest in the Vendor. Mr. Cheng, the Chairman and an executive director and the controlling shareholder of each of the Company and Shun Ho Property, is the son-in-law of Dr. Lee. The Vendor is thus a deemed connected person of both the Company and Shun Ho Property under Rule 14A.21 of the Listing Rules. Therefore, the Acquisition also constitutes a connected

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

transaction for each of the Company and Shun Ho Property under Chapter 14A of the Listing Rules and is subject to, among other things, the approval of the Independent Shareholders in the EGM and SHP Independent Shareholders in the SHP EGM respectively.

Mr. Cheng is also considered to have material interest in the Acquisition. As such, Mr. Cheng and his respective associates will abstain from voting on the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM. Trillion Resources Limited, a company incorporated in the British Virgin Islands with limited liability and controlled by Mr. Cheng Kai Man, and which beneficially owns 154,006,125 Shares representing approximately 50.60% of the issued shares of the Company, will abstain from voting on the resolution to approve the Sale and Purchase Agreement and transactions contemplated thereunder at the EGM.

The Independent Board Committee comprising three independent non-executive Directors, namely, Mr. Vincent Kwok Chi Sun, Mr. Chan Kim Fai and Mr. Hui Kin Hing, have been established to advise the Independent Shareholders as to whether the terms and conditions of the Sale and Purchase Agreement and transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. None of the members of the Independent Board Committee has any direct or indirect interest in the Acquisition. We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save and except for Mr. Cheng who was deemed to be materially interested in the Acquisition through the interest of his father-in-law, Dr. Lee in the Vendor and therefore, Mr. Cheng has abstained from voting on the relevant Board resolutions of the Company approving the Acquisition, none of the other Directors was in any way materially interested in the Acquisition.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as the independent financial adviser to the independent board committee and the Independent Shareholders for any transaction.

With regard to our independence from the Company, it is noted that, apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (the “**Management**”). We have assumed that all information and representations that have been provided by the Management, for which the Directors are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the representation and confirmation of the Management that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Acquisition. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular 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 in the Circular or the Circular as a whole misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Management, nor have we conducted any independent in-depth investigation into the business and affairs of any members of the Group, the counter party(ies) to the Acquisition or their respective subsidiaries or associates. We also have not considered the taxation implication on the Group or the shareholders of the Company as a result of the Acquisition. We have not carried out any feasibility study on the past, and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group. Our opinion has been formed on the assumption that any analysis, estimation, anticipation, condition and assumption provided by the Group are feasible and sustainable. Our opinion shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. We expressly disclaims any liability and/or any loss arising from or in reliance upon the whole or any part of the contents of this letter.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the terms and conditions of the Acquisition as contemplated under the Sale and Purchase Agreement, we have taken into consideration the following principal factors and reasons:

1. Information on the parties on the Sale and Purchase Agreement

1.1 Information on the Purchaser and the Group

The Purchaser is a limited liability company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of Shun Ho Property, and is principally engaged in investment holding.

Shun Ho Property is principally an investment holding company. Through its subsidiaries, including Magnificent Hotel, the SHP Group is principally engaged in property investment, property development and leasing, investment in and operation of hotels.

The Company is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activities of the Group which are conducted through its major subsidiaries Shun Ho Property and Magnificent Hotel for property investment and leasing and investment in and operation of hotels.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the financial information of the Group as extracted from the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”), the interim report for the six months ended 30 June 2015 (the “**2015 Interim Report**”) and the interim report for the six months ended 30 June 2016 (the “**2016 Interim Report**”), details of which are as follows:

	For the year ended 31 December		For the six months ended 30 June	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	590,665	561,827	264,645	265,091
Gross profit	267,510	256,479	100,552	116,109
Profit before taxation	458,262	246,668	164,335	102,434
Profit for the year/period attributable to owners of the Company	193,945	85,403	73,284	31,584
	As at 31 December		As at 30 June	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Bank balances and cash	434,826	1,065,431	256,502	1,183,352
Total assets	7,770,919	7,227,978	7,650,388	7,242,680
Total equity	6,657,452	6,372,725	6,437,866	6,334,032

For the year ended 31 December 2016

According to the 2016 Annual Report, revenue for the year ended 31 December 2016 was approximately HK\$590.67 million when compared to a revenue of approximately HK\$561.83 million for the corresponding period in 2015, representing a increase of approximately 5.13%. This increase was mainly due to the income from operation of hotels amounted to HK\$444 million (2015: HK\$436 million), increased by 2% and the properties rental income amounted to HK\$140 million (2015: HK\$124 million), increased by 13%.

Profit attributable to owners of the Company for the year ended 31 December 2016 amounted to approximately HK\$193.95 million when compared to a profit attributable to owners of the Company for the corresponding period in 2015 of approximately HK\$85.40 million, representing a increase of approximately 127.11%. This increase was mainly due to a group reorganization on 17th July, 2015, resulted in the major subsidiary of the Company, Shun Ho Property, increasing its interests in 633 Kings Road from 71.09% to 100% and Shun Ho Tower from 73.34% to 93%.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

Bank balances and cash as at 31 December 2016 amounted to approximately HK\$434.83 million, which represented a decrease of approximately 59.19% as compared to approximately HK\$1,065.43 million as at 31 December 2015, and represented approximately 5.60% of the total assets of the Group at the same date.

The total equity of the Group as at 31 December 2016 amounted to approximately HK\$6,657.45 million, which represented an increase of 4.47% as compared to approximately HK\$6,372.73 million as at 31 December 2015.

For the six months ended 30 June 2016

Revenue for the six months ended 30 June 2016 was approximately HK\$264.65 million when compared to a revenue of approximately HK\$265.09 million for the corresponding period in 2015, representing a slight decrease of approximately 0.17%.

Profit attributable to owners of the Company for the six months ended 30 June 2016 amounted to approximately HK\$73.28 million when compared to a profit attributable to owners of the Company for the corresponding period in 2015 of approximately HK\$31.58 million, representing an increase of approximately 132.05%. This increase was mainly due to increase in fair value of investment properties.

Bank balances and cash as at 30 June 2016 amounted to approximately HK\$256.50 million, which represented a decrease of approximately 78.32% as compared to approximately HK\$1,183.35 million as at 30 June 2015, and represented approximately 3.35% of the total assets of the Group at the same date.

The total equity of the Group as at 30 June 2016 amounted to approximately HK\$6,437.87 million, which represented a slight increase of 1.64% as compared to approximately HK\$6,334.03 million as at 30 June 2015.

1.2 Information on the Vendor and Henderson Land

The Vendor, a company incorporated in the Republic of Panama with limited liability, is a wholly-owned subsidiary of Henderson Land. The Vendor is principally engaged in investment holding and its principal asset is the 100% interest in Conradion.

Henderson Land is a company incorporated in Hong Kong and its shares are listed on the Main Board of the Stock Exchange. Henderson Land is an investment holding company and the principal activities of its subsidiaries are property development and investment, construction, hotel operation, finance, department store operation, project management, investment holding and property management.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

2. Reasons for and benefits of the Acquisition

As stated in the Letter from the Board, the Property comprises 30 storeys and 317 guest rooms with food and beverage and swimming pool facilities and 3 retail shops. The Property has a site area of 9,556 sq.ft. and an approval building plan area of 143,342 sq.ft. The Consideration of HK\$1,000,000,000 represents approximately HK\$6,900 per sq.ft. or HK\$3.1 million per room only.

The Directors consider the low acquisition unit price presents an extremely attractive investment opportunity to acquire a large scale hotel and retail shops property located in the busiest retail, commercial and tourism area of the fast developing and bustling commercial district of North Point.

The purchase price of approximately HK\$3.1 million per room and unit price per sq.ft. of HK\$6,976 is relatively low as compared with the market price of other recent hotel transactions in Hong Kong. The Directors also consider the Acquisition, the consideration for which is almost equal to the construction replacement value, not only offers stable recurring income for the short and medium terms but also provide future substantial capital gain potential for conversion or rebuilding into first class commercial building.

As stated in the Letter from the Board, set up below are (i) the comparison of key data of the Acquisition with comparable recent hotel transactions; and (ii) the comparison of key data of some recent similar type office property transactions in the North Point district.

(i) the comparison of key data of the Acquisition with comparable recent hotel transactions

List of Comparables (by No. of Rooms)

Hotel Property	Newton Inn	Butterfly on Morrison	Newton Place Hotel
Address	88 Chun Yeung Street	39 Morrison Hill Road	163 Wai Yip Street, Kwun Tong
Relevant Date		29/11/2016	7/2/2017
Consideration	HK\$1,000,000,000	HK\$880,000,000	HK\$2,300,000,000
Property Details			
Building Year (OP)	1999	1997	2007
No. of Storeys	30	23	32
No. of Rooms	317	98	598
Unit Rate (\$/Room)	HK\$3,154,574	HK\$8,979,592	HK\$3,846,154

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

List of Comparables (by Gross Floor Area)

Hotel Property	Newton Inn	Butterfly on Morrison	Newton Place Hotel
Address	88 Chun Yeung Street	39 Morrison Hill Road	163 Wai Yip Street, Kwun Tong
Relevant Date		29/11/2016	7/2/2017
Consideration	HK\$1,000,000,000	HK\$880,000,000	HK\$2,300,000,000
Property Details			
Building Year (OP)	1999	1997	2007
No. of Storeys	30	23	32
Total GFA	143,342	45,145	241,688
Unit Rate (\$/sq.ft.)	HK\$6,976	HK\$19,493	HK\$9,516

(ii) *the comparison of key data of some recent similar type office property transactions in the North Point district*

Office Property	K. Wah Centre	Citicorp Centre	Island Place Tower
Date of Transaction	20/2/2017	10/3/2017	13/3/2017
Consideration	HK\$22,000,000	HK\$18,060,000	HK\$42,278,400
Area (sq.ft.)	1,752	1,204	3,303
Price per sq.ft.	HK\$12,557	HK\$15,000	HK\$12,800

We understand from the management of Shun Ho Property that Shun Ho Property will operate the Property as a hotel in a short to medium term. In the long term, Shun Ho Property intends to rebuild the Property as a first class commercial building. Details of which are disclosed below.

We understand from the Management that the Property is currently leased to Newton Inn (North Point) Limited which is a wholly-owned subsidiary of Henderson Land and the tenant and hotel operator. The current lease will be terminated upon Completion. Shun Ho Property does not intend to run the hotel business housed in the Property after Completion, but will seek to lease the Property to a tenant for a medium term and the tenant will be the hotel operator. DTZ Cushman & Wakefield Limited (“DTZ”) has been appointed as leasing agent to seek appropriate tenant as hotel operator for a lease term of five to six years. The appropriate tenant may be the tenant with the highest tenancy fee offered for a term of five to six years. DTZ has indicated that a tenancy fee of approximately HK\$40 million per annum may be achievable. Magnificent Hotel may also submit rental offer at a later stage and DTZ would select the tenant with highest rental offer. Shun Ho Property expects that this will generate a stable income to the SHP Group. Because of its excellent location for retail, commercial and entertainment, the directors of Shun Ho Property has a long-term plan to convert or rebuild the superstructure for a first class retail commercial building with an area of 143,342 sq.ft. at appropriate time for long term investment. With the long term plan of commercial building development, the Board considers that it is more appropriate for Shun Ho Property to make the Acquisition rather than through its listed subsidiary, Magnificent Hotel which focuses on the investment and operation of hotels so as to maintain clear delineation of businesses between Shun Ho Property and Magnificent Hotel. The directors of Shun Ho Property expect to invest approximately

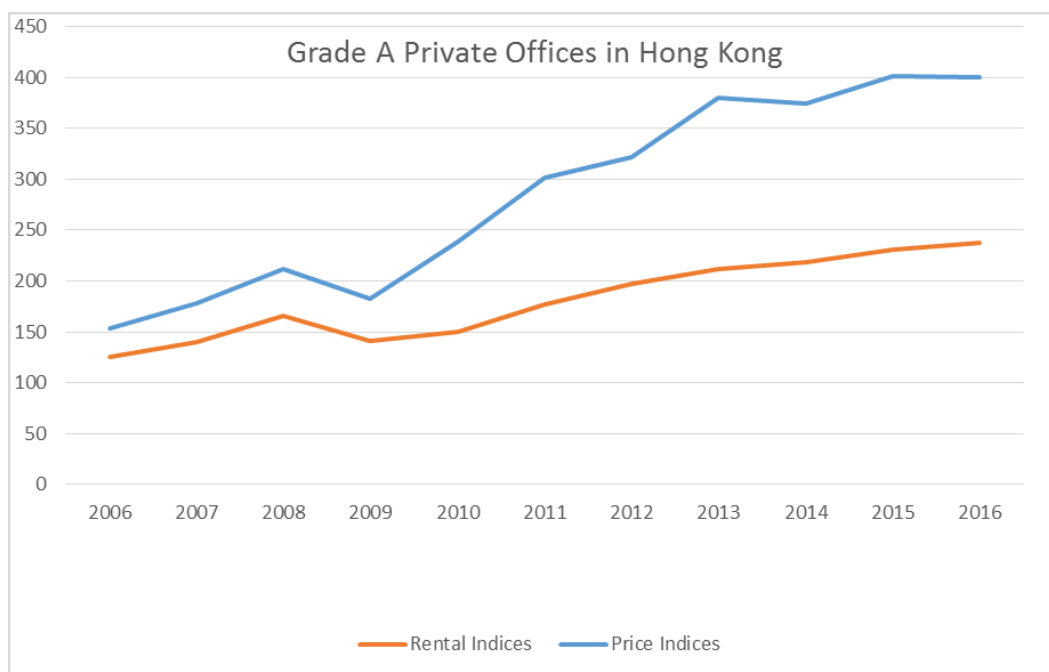
LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

HK\$10 million to renovate the Property before the hotel business being leased and operated in the Property and such facelifting work is expected to improve the immediate hotel property value. As further advised by the Management, Shun Ho Property is, through DTZ, seeking a tenant to lease the Property with the highest rent and considers that it is prudent to invest approximately HK\$10 million as the renovation will improve the appearance and attractiveness of the hotel and facilities that will attract higher rental offer which immediate benefit better income and valuation of the Property. As such, we concur with the view of Directors that such renovation is in the interest of the Company and its shareholders as a whole. For the long term, the Company will have the options of (i) office conversion for an estimated costs at the current price levels of around HK\$100 million (approximately HK\$700 per sq.ft.) or (ii) rebuilding an office superstructure for an estimated costs at the current price levels of around HK\$300 million (approximately HK\$2,100 per sq.ft.). The directors of Shun Ho Property consider that the office conversion proposal as an attractive long term plan because the office accommodation value in North Point district has already exceeded HK\$10,000 per sq.ft. under the current market price level. After Completion, the Board will make a decision on the asset enhance plan to adopt and the best timing on implementation on such having considered the prevailing market conditions and the economic benefits of the plans.

According to statistics published by Tourism Commission, the total number of visitors from around the world received by Hong Kong was approximately 56.7 million in 2016, representing a slight decrease of 4.5% over 2015. By end of March 2016, Hong Kong had 257 hotels, providing 74,000 rooms. The average occupancy rate was 86% in 2015 and 83% in the first quarter of 2016, representing a slight decrease of approximately 3%. We note that the tourism and hotel industry in Hong Kong remain relatively stable.

Furthermore, we have researched on information from the public domain as to the private offices in Hong Kong. According to the statistics published by Rating and Valuation Department, during 2006-2016, the rental and price indices of grade A private offices, as it is the intention of the Shun Ho Property to rebuild the Property as a first class commercial building, in Hong Kong (as illustrated below) has shown a growing trend. We also consider that the Acquisition and intended use of the Property will broaden the revenue base of the SHH Group and provide source of rental income, and may also enjoy possible capital appreciation of the Property.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER



Taking into account the above-mentioned reasons, we concur with the Directors' view that the Acquisition is in the interests of their respective shareholders as a whole, and the terms of the Sale and Purchase Agreement, which have been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable and in the interests of their respective shareholders as a whole.

3. Principal terms of the Sale and Purchase Agreement

Date:	17 February 2017
The Vendor:	Kingslee S.A.
The Purchaser:	Houston Venture Limited
The Purchaser's Guarantor:	Shun Ho Property guaranteeing the due performance and discharge by the Purchaser of its obligations under the Sale and Purchase Agreement
Assets to be Acquired:	the entire issued share capital of Enhance Invest Inc. and the Sale Loan owed by Conradion to the Vendor. As at 31 March 2017, the Sale Loan amounted to HK\$346,140,105

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

Consideration:

the Consideration for the Sale Shares and the Sale Loan of the Acquisition is HK\$1,000,000,000 (subject to adjustments based on the net assets value of the Target Company upon Completion on excluding the Property, the Sale Loan and deferred tax assets and liabilities etc.) payable in cash by the Purchaser in the following manner:

- (i) HK\$100,000,000, representing 10% of the total consideration for the Acquisition, had been paid by the Purchaser to the Vendor upon signing of the Sale and Purchase Agreement; and
- (ii) the remaining balance will be paid upon on Completion.

Shun Ho Property will fund the Acquisition through internal resources and bank borrowings. Shun Ho Property and the Company will not raise fund by way of equity financing to fund the Acquisition.

Completion:

the date falling on the (two) 2 months after all the Conditions are fulfilled (or such other date as the Vendor and the Purchaser may agree in writing) provided that the Completion shall in any event no later than 5:30 p.m. on the Long Stop Date.

4. Principal terms of the Acquisition

To assess the fairness and reasonableness of the Acquisition, we have reviewed and considered, among others, the following terms of the Acquisition.

4.1 Conditions precedent to Completion

Completion is conditional upon the following Conditions being satisfied on or before 5:30 p.m. on the Long Stop Date:

- (a) the Independent Shareholders of Shun Ho Property having approved the entering into and the performance of the Sale and Purchase Agreement by the Purchaser and Shun Ho Property and the transactions contemplated hereunder; and
- (b) the Independent Shareholders of the Company having approved the entering into and the performance of the Sale and Purchase Agreement by the Purchaser and Shun Ho Property and the transactions contemplated hereunder.

None of the Conditions can be waived by any party. If on or before 5:30 p.m. on the Long Stop Date, any of the Conditions have not been fulfilled, then the Vendor may at any time thereafter, in addition to and without prejudice to all other accrued rights or remedies available to it, terminate the Sale and Purchase Agreement by so notifying the other parties to the Sale and Purchase Agreement in writing.

4.2 Consideration

As stated in the Letter from the Board, the Consideration for the Sale Shares and the Sale Loan of the Acquisition is HK\$1,000,000,000 (subject to adjustments based on the net assets value of the Target Company upon Completion on excluding the Property, the Sale Loan and deferred tax assets and liabilities etc.) payable in cash by the Purchaser. The amount of HK\$100,000,000, representing 10% of the total consideration for the Acquisition, had been paid by the Purchaser to the Vendor upon signing the Sale and Purchase Agreement; and the remaining balance will be paid upon on Completion.

We understand from the Management that the Consideration was determined after arm's length negotiation between the parties to the Sale and Purchase Agreement, taking into account, among other things, (a) the quality and size of the Property; (b) the re-building potential of the Property; (c) the unaudited net asset value of the Target Group as at 31 December 2016; and (d) the carrying value of the Property in the financial statements of the Target Group equal to the valuation of the Property by adopting the market approach of HK\$1,000,000,000 as at 31 December 2016 valued by an independent professional valuer engaged by Henderson Land for annual financial reporting purposes.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the Sale and Purchase Agreement, the Consideration shall be adjusted by (i) *plus* the amount equal to the consolidated current assets less the consolidated current liabilities of the Target Company as at the Completion (the “**Completion NAV**”), if the Completion NAV is a positive figure or (ii) *minus* the amount of Completion NAV, if the Completion NAV is a negative figure.

As such, for the purpose of assessing the fairness and reasonableness of the Consideration, we have assessed the adjusted consolidated net assets of the Target Company as follows:

	<i>Approximate HK\$ million</i>
Consolidated net assets of the Target Company as at 31 December 2016	669
<i>Less:</i> Carrying amount of the Property as at 31 December 2016	(1,000)
<i>Add:</i> Fair value of the Property based on the Valuation Report	1,000
Deferred tax liabilities, net (<i>Note 1</i>)	24
Amount due to an intermediated holding company (i.e the Sale Loans) (<i>Note 2</i>)	307
Adjusted net assets of the Target Company (the “ Adjusted NAV ”)	1,000

Notes:

- (1) We are of the opinion that the item “Deferred tax liabilities, net” is a pure accounting treatment arising from the revaluation of the Property, which is a non-cash item and does not have actual impact on the business operation of the Target Group. Such item will not be crystallised as long as the Target Group will not sell the Property separately. Now that the Company expects to hold the Property for long term investment purpose, we consider it fair and reasonable to exclude such item from the calculation on the Adjusted NAV for comparison purpose.
- (2) The Consideration includes the payment for the assignment of the Sale Loans to the Purchaser, as such the Sale Loans are excluded from the calculation on the Adjusted NAV for comparison purpose.

In view that the Consideration is equal to the Adjusted NAV and the benefits as discussed in the section headed “Reasons for and benefits of the Acquisition”, including but not limited to possible capital appreciation of the Property and broaden the revenue base of the SHP Group, we consider the Consideration is fair and reasonable.

4.3 Valuation of the Property

We have considered and reviewed, among others, the valuation of the Property as of 22 February 2017 (the “**Valuation**”) as detailed in the valuation report (the “**Valuation Report**”) as prepared by Dudley, the texts of which are set out in Appendix IV to the Circular and discussed with Dudley regarding the methodology of and the principal bases and assumptions adopted for the Valuation.

As part of our due diligence, we have assessed the qualification and experience of Dudley for its engagement as the Independent Professional Valuer for the Property. We note that the valuer of the Valuation Report has over 31 years of experience in real estate industry and property valuation sector in Hong Kong and the People’s Republic of China. We are of the view that Dudley possesses sufficient experience in performing the Valuation. Dudley also confirmed that (i) it is independent from the Group; (ii) all relevant material information provided by Purchaser had been incorporated in the Valuation Report; and (iii) they were not aware of any serious defects or other matters that would cause it to question the truthfulness or reasonableness of the information provided by the Purchaser. We also understand that Dudley has physically inspected the Property in February 2017. In addition, we have also reviewed the terms of the Dudley’s engagement and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation Report.

In valuing the property interests, we note that the valuation methodology used in respect of the Property is direct comparison approach assuming sale of the property interest in its existing state with the benefit of vacant possession and by making reference to comparable sale evidence available in the relevant market.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

We are also advised by the valuer that the valuation of the property interest was carried out in compliance with Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors. Taking into account the above and the discussion with the valuer, we consider the valuation methodology is fair and reasonable.

The Valuation has been made on the assumption that the owner sells the property on the open market without the benefit and burden of any deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the Property. We understand from the valuer that such assumption are generally adopted in similar valuation activities and are necessary for the valuer to arrive at a reasonable estimated value of the Property.

We have (i) considered and reviewed, among others, the Valuation of the Property as of 22 February 2017 in the Valuation Report as prepared by Dudley and discussed the methodology, bases and assumptions; (ii) interviewed Dudley of its independency, qualification and experience for its engagement; (iii) reviewed the terms of the Dudley's engagement; and (iv) confirmed the independency of Dudley. Accordingly, we consider ourselves having complied with the requirements under Rule 13.80(2) Note 1(d) of the Listing Rules.

Other information regarding the Valuation has been set out in the Valuation Report in Appendix IV to the Circular. After considering the reasons for adopting the above valuation methodology for valuing the Property by Dudley, we are of the opinion that such valuation methodology and the bases and assumptions used are reasonable and acceptable in establishing the fair values of the Property.

5. Financial effect of the Acquisition

It should be noted that the below analyses are for illustrative purpose only and do not purport to represent how the financial position or results of the Group will be upon completion of the Acquisition.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Shun Ho Property and the financial results and the assets of liabilities of the Target Group will be consolidated into the Group's financial statements.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

Appendix III to this circular presents the unaudited pro forma financial information of the Enlarged Group and describes the basis of preparation thereof.

Earnings

After completion of the Acquisition, the financial results of the Target Group will become the financial results of the Group. It is expected that the Group will record additional income from the Target Group offset by the financing costs for funding the Acquisition with external borrowings and internal resources. Any fair value change of the Property will also be reflected in the profit and loss of the Group. Pursuant to the unaudited pro forma consolidated statement of profit or loss of the Enlarged Group as set out in Appendix III to this circular, assuming Completion had taken place on 1 January 2016, revenue of the Group would be increased from approximately HK\$590.7 million to approximately HK\$608.7 million, and the Group's profit after tax for the year ended 31 December 2016 would increase from approximately HK\$420.9 million to approximately HK\$434.0 million.

Assets and liabilities

As set out in Appendix III to this circular, the unaudited pro forma consolidated statement of financial position of the Enlarged Group illustrates the effect of the completion of the Acquisition on the Group, assuming that the Acquisition had taken place on 31 December 2016. If the Acquisitions had been completed on 31 December 2016, the total assets of the Enlarged Group as at 31 December 2016 would have been increased from approximately HK\$7,770.9 million to approximately HK\$8,337.2 million primarily attributable to the consolidation of the Property. The total liabilities of the Enlarged Group as at 31 December 2016 would have been increased from approximately HK\$1,113.5 million to approximately HK\$1,683.0 million primarily attributable to the drawdown of bank borrowings for the settlement of the Consideration. It is not expected the Acquisition will have any substantial adverse impact on the Company's cash-flow position or its business operations and the Acquisition will not add immediate financial burden to the Company.

RECOMMENDATION

Having considered the principal factors and reasons as set out in this letter, in particular,

- (i) Shun Ho Property will seek to lease the Property to a hotel operator for a medium term and expect to provide source of stable income;
- (ii) Shun Ho Property has a long term plan to convert or rebuild the Property for a first class commercial building and grade A private offices in Hong Kong has a growing trend;
- (iii) the expected financial effects as a results of the completion of the Acquisition,

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that (i) the terms of the Acquisition as contemplated under the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Acquisition is conducted in the ordinary and usual course of business of the Group; and (iii) the Acquisition is in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to approve the Acquisition as contemplated under the Sale and Purchase Agreement at the EGM.

Yours faithfully,
For and on behalf of
Amasse Capital Limited

Michael Lam
Managing Director

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016

The audited consolidated financial statements of the Group (a) for the year ended 31 December 2014 are set out from page 19 to page 79 in the 2014 Annual Report of the Company, which was published on 12 March 2015; (b) for the year ended 31 December 2015 are set out from page 21 to page 74 in the 2015 Annual Report of the Company, which was published on 11 March 2016; and (c) for the year ended 31 December 2016 are set out from page 28 to page 84 in the 2016 Annual Report of the Company, which was published on 13 March 2017.

The aforesaid Annual Reports and results announcement are available on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.shunho.com.hk>). In particular, the web links of the Annual Reports are as follows:

2014 Annual Report

<http://www.shunho.com.hk/shh/documents/ar/e%20253%20AnnualReport2014%202015%2004%2027.pdf>

2015 Annual Report

<http://www.shunho.com.hk/shh/documents/ar/e%20253%20AnnualReport2015%202016%2004%2026.pdf>

2016 Annual Report

<http://www.shunho.com.hk/shh/documents/ar/e%20253%20AR2016%202017%2004%2020.pdf>

2. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES**Bank and other borrowings**

As at the close of business on 28 February 2017, being the Latest Practicable Date for the purpose of preparing this statement of indebtedness prior to the printing of this Circular, the Enlarged Group had the following outstanding bank and other borrowings:

- (i) unguaranteed and unsecured advance from Trillion Resources Limited amounting to approximately HK\$48.8 million;
- (ii) bank borrowings of approximately HK\$482.2 million which was guaranteed by certain subsidiaries of the Group and secured by (a) fixed charges on certain of the Group's properties, (b) equity interests in certain subsidiaries of the Group, (c) subordination of loans due from certain subsidiaries of the Group and (d) assignment of the Group's rental and hotel revenue; and
- (iii) bank borrowings of approximately HK\$319.3 million which was unguaranteed and secured by fixed charges on certain of the Group's bank deposits.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have outstanding at the close of business on 28 February 2017 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or material contingent liabilities.

3. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Group through Shun Ho Property and Magnificent Hotel are engaged in two main lines of business, namely, hotel operation and commercial properties investment. The Board considers that the Acquisition provides an opportunity for the Group to enlarge its commercial properties portfolio. The Board also considers that the Acquisition is consistent with the Group's business developments, can generate stable income for the Group in the short and medium term and remarkable capital gain in the long term, and can enhance the Shareholders' value.

For the three years ended 31 December 2016, the Group's income was primarily derived from income from operation of hotels and properties rental, which was analyzed below:

	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from operation of hotels	529,287	435,821	443,990
Properties rental income	118,909	123,960	139,614
Dividend income	227	2,046	7,061
Other income	28,883	31,805	48,261
	<u>677,306</u>	<u>593,632</u>	<u>638,926</u>
Total	<u><u>677,306</u></u>	<u><u>593,632</u></u>	<u><u>638,926</u></u>

Hotel Operation

Magnificent Hotel, the Company's indirect non wholly-owned subsidiary, owns eight hotels and operates seven hotels. The operating hotels include: (1) Best Western Plus Hotel Kowloon, (2) Best Western Plus Hotel Hong Kong, (3) Best Western Grand Hotel, (4) Best Western Hotel Causeway Bay, (5) Best Western Hotel Harbour View, (6) Grand City Hotel and (7) Magnificent International Hotel, Shanghai with 2,037 rooms, which is one of the largest hotel groups in Hong Kong. (8) Royal Scot Hotel in London was leased to a hotel management company, Travelodge. The average occupancy rate for each of the hotels of the Group in 2016 is set out below:

	HOTEL PERFORMANCES													
	Best Western Plus Hotel Kowloon		Best Western Plus Hotel Hong Kong		Best Western Grand Hotel		Best Western Hotel Causeway Bay		Best Western Hotel Harbour View		Grand City Hotel		Magnificent International Hotel, Shanghai	
	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate
	Occupancy %	HK\$	Occupancy %	HK\$	Occupancy %	HK\$	Occupancy %	HK\$	Occupancy %	HK\$	Occupancy %	HK\$	Occupancy %	HK\$
2016														
Jan	99	800	99	633	99	717	99	633	99	539	99	548	74	297
Feb	99	652	99	554	99	613	99	537	100	509	99	513	58	325
Mar	99	617	99	494	99	561	99	527	100	417	99	453	90	355
Apr	100	754	99	615	99	676	99	676	100	510	99	567	90	393
May	99	534	99	466	100	505	99	428	99	381	99	411	83	348
Jun	100	553	99	486	99	502	99	451	100	394	100	425	88	339
Jul	100	599	100	523	100	552	100	500	100	441	99	468	97	375
Aug	100	641	99	572	99	587	100	550	100	488	99	508	98	376
Sep	100	667	99	550	99	589	100	555	100	492	99	501	85	339
Oct	100	972	99	831	99	873	100	853	100	740	99	778	91	383
Nov	99	891	99	761	99	816	100	804	100	654	99	724	89	311
Dec	99	984	99	801	99	877	100	800	100	679	99	728	70	305
Avg/yr	99	722	99	607	99	656	100	610	100	520	99	552	84	349
2016 Total		57,360		73,989		100,671		59,319		87,199		43,997		21,455
Other Income														
HK\$'000		<u>1,826</u>		<u>2,520</u>		<u>N/A</u>		<u>N/A</u>		<u>N/A</u>		<u>N/A</u>		<u>N/A</u>
Total Income														
HK\$'000		59,186		76,509		100,671		59,319		87,199		43,997		21,455
Annual expense														
HK\$'000		(34,394)		(42,782)		(46,131)		(33,862)		(47,676)		(26,438)		(14,317)
Net operating income														
HK\$'000		24,792		33,727		54,540		25,457		39,523		17,559		7,138

- Average occupancy rate in the Group's Hong Kong hotels was 99%.
- The Group's overall hotel revenue increased by 2%.

The Group's experienced hotel management team and their being highly responsive to market conditions are also the key to the Group's success in maintaining high occupancy rates for its hotels. The sales and marketing team of the hotels closely monitor the market conditions on a daily basis and sometimes need to adjust room rates several times a day in response to the change in reservations. Also, connection to online travel platform through which the Group receives 70% of booking enables the Group to offset the decline in mainland group tours.

Magnificent Hotel will continue its business of hotel operations and will seek to acquire more hotel incomes by acquisition of hotel properties or serviced apartment hotels. Looking ahead, the hotel industry may have stabilized with increase of visitors from short haul markets and more PRC individual travellers. But the PRC visitor's less spending power, increase of supply of new hotel rooms, competing room rate and occupancy may still affect hotel industry adversely. Hotel revenue this coming year may experience small improvement.

Commercial Property Rental Income

The Group's current portfolio of commercial properties comprise the office buildings of Shun Ho Tower, the 633 King's Road Property, Royal Scot Hotel and shops from Best Western Plus Hotel Kowloon, Best Western Plus Hotel Hong Kong and Best Western Grand Hotel, generating a rental income of approximately HK\$140 million in 2016. The rental incomes for the Group's commercial properties are analysed as follows:

	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	Change
633 King's Road	95,471	96,238	+1%
Shun Ho Tower	21,850	22,633	+4% (<i>Note</i>)
Shop	6,639	4,346	-35%
Royal Scot Hotel	–	16,397	N/A
	<u>123,960</u>	<u>139,614</u>	+13%

Note: Non-controlling interest will be deducted in consolidated statement of profit or loss.

During the year, the commercial building at 633 King's Road and Shun Ho Tower were almost fully occupied. The increase of office building rental was due to the renewal of leases during the year. The decrease of shops rental was due to the expiry of the tenancy of first floor of Best Western Plus Hotel Kowloon. The Company will continue its management and investment of 633 King's Road and Shun Ho Tower, Ice House Street. The office rental market may be affected in the coming year by the weak PRC import/export, and financial market.

Other income was mostly property management fee income, bank interest income, gain on disposal of property, plant and equipment and gain on disposal of available-for-sale investments.

Overall the short term prospect of the Group's earning will follow the slowing down of the local economy trend especially in the tourism industry. The management will endeavour to seek revenue growth from acquisition of income producing properties while maintaining low gearing.

Acquisition of the Property, a testament to the management's efforts to implement the foregoing growth strategy, will enhance the earnings of the Group with the steady rental income in the short and medium term. As detailed in the letter from the Board, the Group will

have different alternatives in the redevelopment of the Property. The Directors will closely monitor the commercial property market condition in Hong Kong and make decision on the long term development of the Property. In view of the benefits of the proposed Acquisition mentioned above, the Directors believe that the proposed Acquisition is in the interest of the Company and the Shareholders as a whole.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the expected completion of the Acquisition, the proposed acquisition of Hotel Georgia, its expected internally generated funds, the present available banking facilities of the Group and the possible additional external financing, the Enlarged Group will have sufficient working capital for its present requirements and for the period up to twelve months from the date of this circular in the absence of unforeseeable circumstances.

In assessing the aforesaid sufficiency of the working capital of the Enlarged Group, the Directors have considered the closing of the transactions is subject to the Group having received sufficient financing to settle the Acquisition and other proposed acquisition after due and careful consideration. As of the date of this circular, the Group is in arrangement with banks for the possible additional external financing.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is a discussion and analysis of the Group's results of operation for each of the three years ended 31 December 2014, 2015 and 2016. The information set out below is principally extracted from the annual reports of the Company for the three years ended 31 December 2014, 2015 and 2016 respectively, in order to provide further information relating to the financial condition and results of operations of the Group during the periods stated.

Business review

For the year ended 31 December 2016

The net profit after tax attributable to the owners of the Company before depreciation of property, plant and equipment and release of prepaid lease payments for land for the year ended 31 December, 2016 was HK\$224 million (2015: HK\$113 million), increased by 98%.

During the year under review, the Group through its major subsidiaries, Shun Ho Property and Magnificent Hotel continued with its commercial properties investment and property leasing, hotels investment, development and operations.

During the year, the Company changed its name to "Shun Ho Holdings Limited" so as to reflect its business holding nature.

The Company owns 50.26% of Shun Ho Property which holds 71.09% of Magnificent Hotel as its hotel investment subsidiary. Magnificent Hotel presently owns eight hotels and operates seven hotels, including: (1) Best Western Plus Hotel Kowloon, (2) Best Western Plus Hotel Hong Kong, (3) Best Western Grand Hotel, (4) Best Western Hotel Causeway Bay, (5) Best Western Hotel Harbour View, (6) Grand City Hotel and (7) Magnificent International Hotel, Shanghai with 2,037 rooms, which is one of the largest hotel groups in Hong Kong, (8) Royal Scot Hotel in London was leased to a hotel management company, Travelodge.

The Best Western Plus Hotel Kowloon is undergoing renovation to add approximately 40 hotel rooms and is expected to be completed in 2017.

During the year, the Group acquired the freehold property of Royal Scot Hotel situate at 100 King's Cross Road, London for the consideration of £70,300,000 (equivalent to approximately HK\$731,000,000). The current net income is £3,137,487 (equivalent to approximately HK\$32,912,000) per annum.

The net profit after tax attributed to owners of Magnificent Hotel before revaluation gain of investment properties and depreciation of property, plant and equipment and release of prepaid lease payments for land for the year ended 31 December, 2016 was HK\$205 million (2015: HK\$214 million), decreased by 4%. The income from operation of hotels amounted to HK\$444 million (2015: HK\$436 million), increased by 2%. The average occupancy in the Group's Hong Kong hotels was 99% and the average room rate was HK\$604.

The major reasons for the above decline in Magnificent Hotel net profit of HK\$9 million were mainly due to loss of rental income and property management fee income by HK\$50 million after group reorganization.

The properties rental income was derived from office buildings of Shun Ho Tower, 633 King's Road, Royal Scot Hotel and shops from Best Western Plus Hotel Kowloon, Best Western Plus Hotel Hong Kong and Best Western Grand Hotel amounted to HK\$140 million (2015: HK\$124 million).

During the year, 633 King's Road and Shun Ho Tower were almost fully occupied. The increase of office building rental was due to the renewal of leases during the year. The decrease of shop rental was due to the expiry of the tenancy of first floor of Best Western Plus Hotel Kowloon.

Magnificent Hotel will continue its business of hotel operations and will seek to acquire more hotel incomes by acquisition of hotel properties or serviced apartment hotels. Looking ahead, the hotel industry may have stabilized with increase of visitors from short haul markets and more PRC individual travellers. But the PRC visitor's less spending power, increase of supply of new hotel rooms, competing room rate and occupancy may still affect hotel industry adversely. Hotel revenue this coming year may experience small improvement.

For the year ended 31 December 2015

The consolidated net profit after tax attributable to the owners of the Company before revaluation gain of investment properties, gain on disposal of subsidiaries and the depreciation and release of prepaid lease payments for land for the year ended 31 December, 2015 was HK\$105,000,000 (2014: HK\$128,000,000), decreased by 18%.

The consolidated net profit after tax attributed to owners of Magnificent Hotel before revaluation gain of investment properties, gain on disposal of subsidiaries and depreciation and release of prepaid lease payments for land for the year ended 31 December, 2015 was HK\$214 million (2014: HK\$332 million), decreased by 36%. The income from operation of hotels amounted to HK\$436 million (2014: HK\$529 million), decreased by 18%. The average occupancy in the Group's Hong Kong hotels was 98% and the average room rate was HK\$685 and the average EBITDA of each hotel in Hong Kong was 48%. The decrease of revenue was mainly due to the difficult market conditions for the hotel industry in Hong Kong in 2015.

Through a 50.26% owned subsidiary, Shun Ho Property, on 17th July, 2015, a group reorganisation resulted in Shun Ho Property increasing its interests in 633 Kings Road from 71.09% to 100% and Shun Ho Tower from 73.34% to 93%. The consideration was settled by issuing 42,676,687 new shares of Shun Ho Property.

The properties rental income was derived from office buildings of Shun Ho Tower, 633 King's Road and shops from Best Western Plus Hotel Kowloon (formerly known as Ramada Hotel Kowloon), Best Western Plus Hotel Hong Kong (formerly known as Ramada Hong Kong Hotel) and Best Western Grand Hotel amounted to HK\$124 million (2014: HK\$119 million).

The service costs was HK\$234.4 million (2014: HK\$228.0 million), of which HK\$233.0 million (2014: HK\$227.0 million) was for the hotel operations including food and beverage and costs of sales and HK\$1.4 million (2014: HK\$1.0 million) was mainly for rates and leasing commission paid for investment properties. The leasing commissions paid for the leased premises represent total commissions payable for the three years of rental period. The administrative expenses excluding depreciation was HK\$34 million (2014: HK\$33 million) for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses. Other expenses were property management expenses amounted to HK\$15 million (2014: HK\$15 million) and pre-operating expense of Grand City Hotel amounted to HK\$5 million (2014: Nil).

Looking ahead the Company will change its name to "Shun Ho Holdings Limited" so as to reflect its business holding nature. Magnificent Hotel will continue its business of hotel operations and will seek to acquire more hotel incomes by acquisition of hotel properties or serviced apartment hotels. Shun Ho Property will continue its management and investment of 633 King's Road and Shun Ho Tower, Ice House Street.

For the year ended 31 December 2014

The audited consolidated profit of the Group for the year ended 31 December 2014 attributable to the owners of the Company amounted to HK\$344,811,000 (2013: HK\$229,683,000), increased by 50%.

For the year ended 31 December 2014, the Group's income decreased by 6% to HK\$648 million (2013: HK\$689 million) which was mostly derived from the operation of hotels and properties rental income.

The income from operation of hotels, Best Western Plus Hotel Kowloon (formerly known as Ramada Hotel Kowloon), Best Western Plus Hotel Hong Kong (formerly known as Ramada Hong Kong Hotel), Best Western Grand Hotel, Best Western Hotel Causeway Bay, Best Western Hotel Harbour View, Magnificent International Hotel, Shanghai and Best Western Hotel Taipa, Macau (up to 20 March 2014) decreased by 9% to HK\$529 million (2013: HK\$583 million). The decrease of group revenue for the year was due to the disposal of Best Western Hotel Taipa, Macau during the year.

The properties rental income was derived from office buildings of Shun Ho Tower, 633 King's Road and shops from Best Western Plus Hotel Kowloon (formerly known as Ramada Hotel Kowloon), Best Western Plus Hotel Hong Kong (formerly known as Ramada Hong Kong Hotel), Best Western Grand Hotel and Best Western Hotel Taipa, Macau (up to 20 March 2014) amounted to HK\$119 million (2013: HK\$106 million).

Other income amounted to HK\$29 million (2013: HK\$21 million) which was property management fee income of HK\$16 million (2013: HK\$16 million) with related expenses of HK\$15 million (2013: HK\$15 million) and interest income of HK\$13 million (2013: HK\$2 million) from cash deposits.

For the year under review, the Group has disposed the subsidiaries holding interest in the Best Western Hotel Taipa, Macau at the consideration of HK\$900 million. The disposal resulted in a reportable earning of approximately HK\$620 million for the year.

Overall service costs for the Group for the year was HK\$228.0 million (2013: HK\$232.0 million), of which HK\$227.0 million (2013: HK\$231.4 million) was for the hotel operations including food and beverage and costs of sales and HK\$1.0 million (2013: HK\$0.6 million) was mainly for rates and leasing commission paid for investment properties. The leasing commissions paid for the leased premises represent total commissions payable for the three years of rental period.

During the year, the administrative expenses excluding depreciation was HK\$33 million (2013: HK\$30 million) for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses. Other expenses were property management expenses amounted to HK\$15 million (2013: HK\$15 million).

For the year under review, the investment properties such as Shun Ho Tower, 633 King's Road and shops in Best Western Plus Hotel Kowloon (formerly known as Ramada Hotel Kowloon), Best Western Plus Hotel Hong Kong (formerly known as Ramada Hong Kong Hotel), Best Western Grand Hotel and Best Western Hotel Taipa, Macau (up to 20 March 2014) remained almost fully let. It is expected that the rental revenue from these properties will have modest increase in 2015.

As at the date of the 2014 annual report, the leasing of the grade A office building at 633 King's Road achieved rental income of HK\$96 million (excluding rates and management fee incomes) per annum. The management envisages the office building will have modest rental increase in 2015 as most leases are due for renewal.

In respect of the No. 338 Queen's Road West hotel development, 214-room hotel development is named Best Western Grand City Hotel. The new hotel is waiting for hotel license to be issued. The connection of the Western MTR Line will improve future value and business of this property significantly.

Looking ahead the Group has a magnificent portfolio of well performing recurring income portfolio of commercial and hotel properties. The management is most excited with the connection of the MTR Western line in the end of first quarter of 2015 which will significantly benefit three of our group hotels in the Western District with about 1,000 rooms in terms of occupancies, room rates and hotel values. However, both commercial and hotel segments are showing strong signs of difficulties with more supplies and lesser demand. The disposed Macau hotel has the effect of reducing operating profit by HK\$37 million per year. Stable operating profit and growth are therefore at risk from adverse market conditions and Macau hotel disposal. The new Grand City Hotel may contribute about the same operating profit per year to replenish the profit reduced by the disposed Macau hotel. The management is most eager to further increase operating profit by the acquisition of commercial properties, if successfully acquired will be financed by internal cash resources, bank lending or additional capital.

Cash position

The Group had cash and bank balances of approximately HK\$1,166 million, HK\$1,065 million and HK\$435 million as at 31 December 2014, 2015 and 2016, respectively.

Gearing ratio

The gearing ratio was approximately 11% in term of overall debt including bank loans and shareholders' loan of HK\$678 million against funds employed of the Group of HK\$6,266 million as at 31 December 2014.

The gearing ratio was approximately 10% in term of overall debt including bank loans and shareholders' loan of HK\$606 million against funds employed of the Group of HK\$6,373 million as at 31 December 2015.

The gearing ratio was approximately 16.7% in term of total liabilities of HK\$1,113.5 million against funds employed of the Group of HK\$6,657 million as at 31 December 2016.

Borrowings

The Group's bank borrowings as at 31 December 2014, 2015 and 2016 carry interests at floating rates and are mainly denominated in Hong Kong dollar and Pound Sterling. Accordingly, the Group explores to exchange risk and management manages on a timely and effective manner.

Pledge of assets

For the three years ended 31 December 2014, 2015 and 2016, apart from assignment of the Group's rental and hotel revenue, the bank loan facilities of the Group were secured by the following of the Group:

	As at 31 December		
	2014	2015	2016
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Investment properties	2,280	2,280	2,445
Properties under development	383	–	–
Property, plant and equipment	2,024	2,367	2,320
Pledged bank deposits	–	–	447
Shares in and subordination of loans due from certain subsidiaries	1,171	1,129	1,091

As at 31 December 2014, 2015, and 2016, the Group pledged assets to secure bank loan in the aggregate amounts of approximately HK\$622 million, HK\$560 million and HK\$809 million, respectively.

The maturity profile of the bank loans are set out below:

	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank loans	<u>621,733</u>	<u>559,815</u>	<u>809,271</u>
Carrying amounts of bank loan repayable within one year	<u>–</u>	<u>–</u>	<u>315,993</u>
Carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but:			
Repayable within one year from the end of the reporting period	287,432	196,558	196,584
Not repayable within one year from the end of the reporting period shown under current liabilities	<u>334,301</u>	<u>363,257</u>	<u>296,694</u>
	<u>621,733</u>	<u>559,815</u>	<u>493,278</u>
Amounts shown under current liabilities	<u>621,733</u>	<u>559,815</u>	<u>809,271</u>
Effective interest rate (per annum)	1.6%	1.6%	1.5%

There was no material effect of seasonality on the Group's borrowing requirements.

CONTINGENT LIABILITIES

As at 31 December 2014, 2015 and 2016, the Group had no significant contingent liabilities.

SIGNIFICANT INVESTMENT

Save as disclosed in the other paragraphs of this section, the Group did not hold any other significant investment as three years ended 31 December 2014, 31 December 2015 and 31 December 2016 respectively.

EXCHANGE RISK

The Group's bank borrowings as at 31 December 2014, 2015 and 2016 carry interest at floating rates and are mainly denominated in Hong Kong dollar and Pound Sterling. Accordingly, the Group explores to exchange risk and management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

STAFF AND REMUNERATION POLICY

For the year ended 31 December 2014, 2015 and 2016, the numbers of the staff of the Group were 660, 720 and 693, respectively and the staff remuneration was HK\$151 million, HK\$167 million and HK\$170 million, respectively. The Group's remuneration policy is built on principle of equality, motivating, performance oriented and market-competitive remuneration package to employees. Magnificent Hotel, a subsidiary of the Company, adopted an employee share option scheme (the "**Employee Share Option Scheme**") for its employees at its extraordinary general meeting held on 14 November 2013. No option was granted under the Employee Share Option Scheme since the date of its adoption up to the Latest Practicable Date.

MATERIAL ACQUISITIONS AND DISPOSALS*During the three years ended 31 December 2016*

On 25 March 2015, Shun Ho Property as purchaser entered into a sale and purchase agreement (as supplemented by a supplemental agreement dated 13 April 2015) with Magnificent Hotel as vendor for the 100% interest in Houston Venture Limited and its subsidiary, Tennyland Limited, and 68% interest in Trans-Profit Limited (collectively referred to as "**Acquired Subsidiaries**") together with its shareholder's loan due to Magnificent Hotel (the "**Magnificent Hotel Acquisition**") for a consideration of HK\$2,413,053,000 which was satisfied by issue of share entitlement notes by Shun Ho Property to Magnificent Hotel. Upon completion of the Magnificent Hotel Acquisition, the Acquired Subsidiaries ceased to be subsidiaries of Magnificent Hotel but will remain the subsidiaries of Shun Ho Property and the Company. The Acquired Subsidiaries are principally engaged in property investment in

commercial buildings, namely, 633 King's Road and Shun Ho Tower. Details of the Magnificent Hotel Acquisition are set out in the circular issued by the Company dated 28 May 2015. The Magnificent Hotel Acquisition was completed in July 2015.

On 23 June 2016, King Express Development Limited, a direct wholly-owned subsidiary of Magnificent Hotel entered into a purchase agreement with British Overseas Bank Nominees Limited and WGTC Nominees Limited, in their capacity as nominees for and on behalf of National Westminster Bank PLC as depositary and not otherwise of Henderson UK Property PAIF as the Vendor for the acquisition of all that freehold land and property known as "Travelodge Royal Scot Hotel", 100 King's Cross Road, London, WC1X 9DT, United Kingdom and which is registered at Land Registry with absolute title under Title Number NGL274145 ("**Travelodge Royal Scot Hotel**") for a Consideration of GBP70,300,000 (equivalent to approximately HK\$731,120,000) (the "**London Property Acquisition**"). Details of the London Property Acquisition are set out in the circular issued by the Company dated 8 August 2016. The Acquisition of a Property in London was completed on 27 August 2016.

Apart from the Magnificent Hotel Acquisition and London Property Acquisition, the Group did not have any material acquisition or disposals of subsidiaries and associated companies during the three years ended 31 December 2016.

After 31 December 2016

Subsequent to 31 December 2016 (namely, the latest the date to which the latest published audited accounts of the Group have been made up) on 27 February 2017, 1106558 B.C. Ltd ("**B.C. Limited**") entered into an asset purchase agreement for the acquisition of the hotel building situate on the lands, municipally known as at 801 West Georgia Street, Vancouver, British Columbia, Canada and presently named and referred to generally as the Hotel Georgia or Rosewood Hotel Georgia ("**Hotel Georgia**") and the related assets for a total consideration of CA\$145 million (equivalent to approximately HK\$858.02 million), subject to adjustment. B.C. Limited is a wholly owned subsidiary of the Funstar Development Limited which in turn is an investment holding company owned as to 50% by Babenna Limited (a wholly owned subsidiary of Magnificent Hotel). The consideration for the acquisition will be settled wholly in cash.

There will be no variation in the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the Babenna Limited and/or the Directors will be varied in consequence of the acquisition of Hotel Georgia.

1. ACCOUNTANTS' REPORT ON THE TARGET GROUP

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, W. M. Sum & Co. Certified Public Accountants, Hong Kong.

To the Board of Directors
Shun Ho Holdings Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Enhance Invest Inc. (the "Target Company") and its subsidiary that is to remain as at the completion of the proposed acquisition of the Target Company by Houston Venture Limited, namely Conradion Limited ("Conradion") (hereinafter collectively referred to as the "Target Group") comprising the combined statements of financial position of the Target Group as at 31 December 2014, 2015 and 2016 and the combined statements of comprehensive income and the combined statements of changes in equity of the Target Group, for each of the years ended 31 December 2014, 2015 and 2016 (the "Relevant Periods"), together with the explanatory notes as set out in the notes to the financial information, for inclusion in the circular of the Company dated 25 April 2017 (the "Circular") in connection with the proposed acquisition of the Target Group by the Company.

The Target Company was incorporated in the British Virgin Islands on 8 September 1989 and registered as a limited liability company.

As at the date of this report, no audited financial statements have been issued for the Target Company for the years ended 30 June 2006 to 2008, period ended 31 December 2009 and years ended 31 December 2010-2013, as it is an investment holding company and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

The entities comprising the Target Group have adopted 31 December as their financial year end date. Details of the entity comprised in the Target Group that is subject to audit during the Relevant Periods and the name of the auditor are set out in note 22 to the financial information. The statutory financial statements of that company were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of preparation and presentation set out in notes to the financial information and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the financial information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Target Company or the other entity comprised in the Target Group in respect of any period subsequent to 31 December 2016.

OPINION

In our opinion, the financial information gives, for the purpose of this report and on the basis of preparation set out in the notes to the financial information below, a true and fair view of the financial positions of the Target Group as at 31 December 2014, 2015 and 2016 and the Target Group's combined results for the Relevant Periods then ended.

W. M. Sum & Co.
Certified Public Accountants

Hong Kong, 25 April 2017

ENHANCE INVEST INC.

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December		
	Notes	2016 HK\$	2015 HK\$	2014 HK\$
<u>Non-current assets</u>				
Investment properties	4	1,000,000,000	1,090,000,000	850,000,000
Plant and equipment	4	347,046	561,158	775,270
		<u>1,000,347,046</u>	<u>1,090,561,158</u>	<u>850,775,270</u>
<u>Current assets</u>				
Prepayments		220,319	15,247	2,118
Deposits paid		842,272	842,272	842,272
		<u>1,062,591</u>	<u>857,519</u>	<u>844,390</u>
<u>Current liabilities</u>				
Accrued expense	5	(9,100)	(9,000)	(8,900)
Rental deposit received	6	(1,500,000)	(1,500,000)	(1,500,000)
		<u>(1,509,100)</u>	<u>(1,509,000)</u>	<u>(1,508,900)</u>
<u>Net current liabilities</u>		<u>(446,509)</u>	<u>(651,481)</u>	<u>(664,510)</u>
<u>Total assets less current liabilities</u>		<u>999,900,537</u>	<u>1,089,909,677</u>	<u>850,110,760</u>
<u>Non-current liabilities</u>				
Amount due to an intermediate holding company	7	(307,327,182)	(204,832,582)	(204,924,206)
Amount due to a fellow subsidiary	7	–	(114,127,941)	(116,807,216)
Deferred tax liabilities, net	11	(24,171,592)	(22,222,801)	(20,384,216)
		<u>(331,498,774)</u>	<u>(341,183,324)</u>	<u>(342,115,638)</u>
<u>Net assets</u>		<u>668,401,763</u>	<u>748,726,353</u>	<u>507,995,122</u>
<u>Capital and reserves</u>				
Share capital	8	16	16	16
Share premium		511,684	511,684	511,684
Retained profits		667,890,063	748,214,653	507,483,422
<u>Total equity</u>		<u>668,401,763</u>	<u>748,726,353</u>	<u>507,995,122</u>

The accompanying notes form part of these financial information.

ENHANCE INVEST INC.
COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		
		2016	2015	2014
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Revenue	9	18,000,000	18,000,000	18,000,000
Direct costs		<u>(1,707,044)</u>	<u>(2,050,327)</u>	<u>(2,794,989)</u>
		16,292,956	15,949,673	15,205,011
Other revenue		–	–	456
Administrative expenses		(39,433)	(42,178)	(28,940)
Other operating expenses		<u>(6,060)</u>	<u>–</u>	<u>(32,979)</u>
Profit from operations before changes in fair value of investment properties		16,247,463	15,907,495	15,143,548
(Decrease) increase in fair value of investment properties	4	<u>(90,348,297)</u>	<u>239,302,090</u>	<u>9,742,000</u>
(Loss) profit from operations after change in fair value of investment properties		(74,100,834)	255,209,585	24,885,548
Finance cost		<u>(4,274,965)</u>	<u>(4,939,769)</u>	<u>(3,755,987)</u>
(Loss) profit before taxation	10	(78,375,799)	250,269,816	21,129,561
Income tax	11	<u>(1,948,791)</u>	<u>(1,838,585)</u>	<u>(1,912,418)</u>
(Loss) profit and total comprehensive income for the year		<u><u>(80,324,590)</u></u>	<u><u>248,431,231</u></u>	<u><u>19,217,143</u></u>

The accompanying notes form part of these financial information.

ENHANCE INVEST INC.
COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital HK\$	Share premium HK\$	Retained profits HK\$	Total HK\$
Balance at 1 January 2014	16	511,684	488,266,279	488,777,979
Change in equity for 2014:				
Profit and total comprehensive income for the year	<u>–</u>	<u>–</u>	<u>19,217,143</u>	<u>19,217,143</u>
Balance at 31 December 2014 and 1 January 2015	16	511,684	507,483,422	507,995,122
Changes in equity for 2015:				
Profit and total comprehensive income for the year	–	–	248,431,231	248,431,231
Dividends paid (<i>note 12</i>)	<u>–</u>	<u>–</u>	<u>(7,700,000)</u>	<u>(7,700,000)</u>
Balance at 31 December 2015 and 1 January 2016	16	511,684	748,214,653	748,726,353
Change in equity for 2016:				
Loss and total comprehensive income for the year	<u>–</u>	<u>–</u>	<u>(80,324,590)</u>	<u>(80,324,590)</u>
Balance at 31 December 2016	<u><u>16</u></u>	<u><u>511,684</u></u>	<u><u>667,890,063</u></u>	<u><u>668,401,763</u></u>

The accompanying notes form part of these financial information.

ENHANCE INVEST INC.**NOTES TO THE FINANCIAL INFORMATION****1. GENERAL INFORMATION****(a) Background**

The Target Company is a limited liability company incorporated in the British Virgin Islands (“BVI”) on 8 September 1989. The registered address of its office is Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, BVI and the principal place of business is 72/F-76/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. The principal activity of the Target Company is investment holding.

The reporting entity comprises the Target Company and its subsidiary, namely Conradion, but excluding other subsidiaries (“Other Subsidiaries”) of the Target Company. Particulars of the subsidiary of the Target Group included in the preparation of the financial information are as follows:

Name of subsidiary	Place of incorporation and business	Issued and paid up capital	Target Group’s effective interest	Held by the Target Company	Principal activity
Conradion Limited	Hong Kong	3,000,000 ordinary shares	100%	100%	Ownership of hotel properties for the generation of rental income

The details of group structure and basis of preparation and presentation for the financial information of the Target Group are disclosed in notes 1(b) and 2(a) respectively.

(b) Proposed Acquisition

On 17 February 2017, the Company announced its proposal to acquire the entire interest of the Target Group at a consideration of HK\$1,000,000,000 (the “Proposed Acquisition”) pursuant to the sale and purchase agreement entered into between a wholly-owned subsidiary of the Company as the purchaser and Kingslee S.A. as the vendor (the “Sales and Purchase Agreement”).

2. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of preparation and presentation**

The business of the Target Group has formed a part of the larger group of the Target Company and its subsidiaries (the “Overall Group”) during the Relevant Periods.

For the purpose of preparation of the financial information of the Target Group, the assets and liabilities, and the results of the Target Company and Conradion are combined and those of the Other Subsidiaries are excluded (i.e. a “carve-out” basis), as compared with the assets and liabilities, and the results of the Overall Group prepared on a consolidated basis.

Management of the Company is of the view that it is more appropriate to present the financial information of the Target Group during the Relevant Periods on a “carve-out” basis, rather than to present the financial information of the Overall Group prepared on a consolidated basis, due to the following reasons:

- The Other Subsidiaries was disposed of in the year of 2015 and before. The Target Group is clearly delineated from the Other Subsidiaries in terms of the nature of business and management.
- There are clearly identifiable assets, liabilities, revenue and expenditures of the Target Group and of the Other Subsidiaries respectively.
- It is practicable to identify the historical financial information attributable to the Target Group’s business given that the accounting books and records of the Target Group are maintained separately from the accounting books and records of the Other Subsidiaries.

- The Other Subsidiaries does not form part of the assets to be acquired by the Company under the Proposed Acquisition and hence its historical financial information is not relevant to the trading record of the business proposed to be acquired. The Company's management believes that presenting the consolidated financial information of the Overall Group, which would include the results of the Other Subsidiaries that is not the subject of the Proposed Acquisition, would provide irrelevant and potentially misleading financial information to the users of the financial information.
- Presenting the financial information of the Target Group on a "carve-out" basis would provide more direct and relevant information to the users of the financial information.

No significant adjustments or allocations of expenses for adoption of a "carve-out" basis were made in the financial information.

For the purpose of the Proposed Acquisition as stated in note 1(b), the financial information of the Target Group has been prepared and presented on "carve-out" basis as if the Other Subsidiaries was excluded in preparing the financial information throughout the Relevant Periods.

Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the financial information of the Target Group. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

There were no transactions between the Target Group and the Other Subsidiaries during the Relevant Periods.

(b) Statement of compliance

The financial information set out in this report has been prepared in accordance with HKFRSs, which collective term includes Hong Kong Accounting Standards and related interpretations promulgated by the HKICPA. Further details of the significant accounting policies adopted by the Target Group are set out below.

The HKICPA has issued a number of amendments to HKFRSs. For the purpose of preparing this financial information, the Target Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any amendments to HKFRSs and new standards that are not yet effective for the Relevant Periods. The amendments to HKFRSs and new accounting standards issued but not yet effective for the Relevant Periods are set out in note 21.

The financial information also complies with the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the financial information.

(c) Basis of measurement and use of estimates and judgements

The measurement basis used in the preparation of the financial information is the historical cost basis except that the investment properties are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by the management in the application of HKFRSs that have significant effect on the financial statements and the key sources of estimation uncertainty are discussed in note 18.

(d) Subsidiary

A subsidiary is an entity controlled by the Target Group. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the Target Group and other parties) are considered.

An investment in a subsidiary is combined into the financial information of the Target Group from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the combined financial information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the Target Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

(e) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note on “*Leased assets*”) to earn rental income and/or for capital appreciation.

Investment properties are stated in the combined statement of financial position at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in the note on revenue recognition.

When the Target Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note on “*Leased assets*”).

No depreciation is provided on investment properties.

(f) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation of plant and equipment is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The principal annual rate used for this purpose is 20%.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Target Group are classified as operating leases, with the following exception:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as an investment property, is accounted for as if it were held under a finance lease (see note on “*Investment properties*”).

(h) Impairment of assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that plant and equipment may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset’s recoverable amount is estimated.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

(iii) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset’s carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Receivables

Receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the effect of discounting would be immaterial. In such case, the receivables are stated at cost less allowance for impairment of doubtful debts.

Impairment losses for doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate, where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the Target Group about events that have an impact on the asset’s estimated future cash flows, such as significant financial difficulty of the debtor.

Impairment losses for receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Target Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(j) Payables

Payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the assets can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investment in a subsidiary to the extent that, in the case of taxable differences, the Target Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Target Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Target Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or realised, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(o) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(p) Related parties

- (a) A person, or a close member of that person's family, is related to the Target Group if that person:
 - (i) has control or joint control of the Target Group;
 - (ii) has significant influence over the Target Group; or
 - (iii) is a member of the key management personnel of the Target Group or the Target Group's parent.

- (b) An entity is related to the Target Group if any of the following conditions applies:
- (i) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of the group of which it is a part, provides key management personnel services to the Target Group or to the Target Group's parent.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(q) Combined cash flow statements

Combined cash flow statements have not been prepared because the Target Group did not have any cash flows during the Relevant Periods nor did it have any cash or cash equivalents during the Relevant Periods and at the end of the Relevant Periods.

The cash flows which have resulted from the operations of the Target Group were all paid and received by other group companies, and the amounts involved have all been accounted for as intercompany receivables and payables.

3. SEGMENT INFORMATION

No analysis of the Target Group's revenue, other revenue and contribution to operating results for the Relevant Periods set out by operating segment is provided as the Target Group has only one single operating segment, and all of the revenue and other revenue, results and assets of the Target Group are attributable to one market in Hong Kong.

4. INVESTMENT PROPERTIES, PLANT AND EQUIPMENT

	Investment properties HK\$	Plant and equipment		Total HK\$
		Plant and equipment HK\$	Hotel improvements HK\$	
Cost or valuation				
At 1 January 2014	840,000,000	18,504,787	929,017	859,433,804
Additions	258,000	–	–	258,000
Disposals	–	(14,120)	–	(14,120)
Written off	–	(146,200)	–	(146,200)
Surplus on revaluation	9,742,000	–	–	9,742,000
	<u>850,000,000</u>	<u>18,344,467</u>	<u>929,017</u>	<u>869,273,484</u>
At 31 December 2014				
At 1 January 2015	850,000,000	18,344,467	929,017	869,273,484
Additions	697,910	–	–	697,910
Surplus on revaluation	239,302,090	–	–	239,302,090
	<u>1,090,000,000</u>	<u>18,344,467</u>	<u>929,017</u>	<u>1,109,273,484</u>
At 31 December 2015				
At 1 January 2016	1,090,000,000	18,344,467	929,017	1,109,273,484
Additions	348,297	–	–	348,297
Deficit on revaluation	(90,348,297)	–	–	(90,348,297)
	<u>1,000,000,000</u>	<u>18,344,467</u>	<u>929,017</u>	<u>1,019,273,484</u>
At 31 December 2016				
Representing:				
Cost	–	18,344,467	929,017	19,273,484
Valuation	850,000,000	–	–	850,000,000
	<u>850,000,000</u>	<u>18,344,467</u>	<u>929,017</u>	<u>869,273,484</u>
At 31 December 2014				
Cost	–	18,344,467	929,017	19,273,484
Valuation	1,090,000,000	–	–	1,090,000,000
	<u>1,090,000,000</u>	<u>18,344,467</u>	<u>929,017</u>	<u>1,109,273,484</u>
At 31 December 2015				
Cost	–	18,344,467	929,017	19,273,484
Valuation	1,000,000,000	–	–	1,000,000,000
	<u>1,000,000,000</u>	<u>18,344,467</u>	<u>929,017</u>	<u>1,019,273,484</u>
At 31 December 2016				
Accumulated depreciation				
At 1 January 2014	–	17,333,989	924,272	18,258,261
Charge for the year	–	365,944	4,745	370,689
Written back on disposals	–	(13,776)	–	(13,776)
Written off	–	(116,960)	–	(116,960)
	<u>–</u>	<u>17,569,197</u>	<u>929,017</u>	<u>18,498,214</u>
At 31 December 2014				
At 1 January 2015	–	17,569,197	929,017	18,498,214

	Investment properties HK\$	Plant and equipment HK\$	Plant and equipment Hotel improvements HK\$	Total HK\$
Charge for the year	–	214,112	–	214,112
At 31 December 2015	–	17,783,309	929,017	18,712,326
At 1 January 2016	–	17,783,309	929,017	18,712,326
Charge for the year	–	214,112	–	214,112
At 31 December 2016	–	17,997,421	929,017	18,926,438
Net book value				
At 31 December 2014	850,000,000	775,270	–	850,775,270
At 31 December 2015	1,090,000,000	561,158	–	1,090,561,158
At 31 December 2016	1,000,000,000	347,046	–	1,000,347,046

The investment properties are situated in Hong Kong and held under long leases.

The investment properties are rented out under an operating lease for rental income.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

Fair value measurement of investment properties

Fair value hierarchy

The fair value of the Target Group's investment properties is measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

The Target Group's investment properties measured at fair value are categorised as Level 3 valuation.

During the years ended 31 December 2016, 2015 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Target Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period during which they occur.

Valuation process

The Target Group's investment properties were revalued at 31 December 2016 by DTZ Cushman & Wakefield Limited (2015 and 2014: DTZ Debenham Tie Leung Limited), an independent firm of professional surveyors who have among their staff Members of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis.

The Target Group's management has reviewed the valuation results performed by the independent surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation is performed at the end of each reporting period and is reviewed and approved by senior management.

Valuation methodologies

The valuation of investment properties in Hong Kong was based on income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of the properties after expiry of the current lease.

Level 3 valuation methodologies

Below is a table which presents the significant unobservable inputs:

	Average capitalisation rate during the year		
	Year ended 31 December		
	2016	2015	2014
Investment properties in Hong Kong			
– Hotel	4.5%	4.5%	4.5%

The fair value measurement of investment properties is negatively correlated to the capitalisation rate.

5. ACCRUED EXPENSE

Accrued expense of HK\$9,100 (2015: HK\$9,000) (2014: HK\$8,900) is expected to be settled within one year after the end of the reporting period.

6. RENTAL DEPOSIT RECEIVED

The rental deposit of HK\$1,500,000 (2015: HK\$1,500,000) (2014: HK\$1,500,000) was received from a fellow subsidiary of the Target Group and is expected to be settled after more than one year after the end of the reporting period.

7. AMOUNTS DUE TO AN INTERMEDIATE HOLDING COMPANY AND A FELLOW SUBSIDIARY

The amount due to an intermediate holding company is unsecured, interest-free and has no fixed repayment terms. The amount due to a fellow subsidiary was unsecured and interest-bearing at Hong Kong dollar prime rate minus 1% per annum up to and including 31 December 2016 (2015 and 2014: Hong Kong dollar prime rate minus 0.5% per annum), on which date the entire amount was transferred from the fellow subsidiary to the intermediate holding company and became an amount due to the intermediate holding company, which became interest-free commencing from 1 January 2017 and has no fixed repayment terms. The amount due to the intermediate holding company is not expected to be settled within one year after the end of the reporting period.

8. SHARE CAPITAL

	2016	At 31 December 2015	2014
Authorised 50,000 ordinary shares of US\$1 each	<u>US\$50,000</u>	<u>US\$50,000</u>	<u>US\$50,000</u>
Issued and fully paid 2 ordinary shares of US\$1 each	<u>US\$2</u>	<u>US\$2</u>	<u>US\$2</u>
Equivalent to	<u>HK\$16</u>	<u>HK\$16</u>	<u>HK\$16</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Target Company. The issued ordinary shares rank equally with regard to the Target Company's residual assets.

9. REVENUE

Revenue represents rental income earned during the Relevant Periods.

10. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation is arrived at:

	Year ended 31 December		
	2016	2015	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
after charging:			
Auditor's remuneration	9,100	9,000	8,900
Depreciation	214,112	214,112	370,689
Interest expense	4,274,965	4,939,769	3,755,987
Plant and equipment written off	<u>–</u>	<u>–</u>	<u>29,240</u>
and after crediting:			
Gain on disposal of plant and equipment	–	–	456
Rental income less outgoings of HK\$1,707,044 (2015: HK\$2,050,327) (2014: HK\$2,794,989) including depreciation of plant and equipment	<u>16,292,956</u>	<u>15,949,673</u>	<u>15,205,011</u>

11. INCOME TAX

Income tax in the combined statements of comprehensive income represents:

	Year ended 31 December		
	2016	2015	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Deferred tax Origination and reversal of temporary differences	<u>(1,948,791)</u>	<u>(1,838,585)</u>	<u>(1,912,418)</u>

Pursuant to the rules and regulations of the BVI, the Target Group is not subject to any income tax in the BVI. No provision for Hong Kong Profits Tax has been made as Conradion has available tax losses brought forward to offset against the estimated assessable profits for the Relevant Periods.

Reconciliation between tax expense and accounting (loss) profit at applicable tax rate:

	Year ended 31 December		
	2016	2015	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
(Loss) profit before taxation	<u>(78,375,799)</u>	<u>250,269,816</u>	<u>21,129,561</u>
Notional tax on profit before taxation calculated at 16.5%	12,932,007	(41,294,520)	(3,486,377)
Tax effect of non-taxable revenue	–	39,484,845	1,607,505
Tax effect of non-deductible expenses	(14,908,326)	(1,382)	(5,759)
Tax effect of adjustment for prior year's temporary differences	<u>27,528</u>	<u>(27,528)</u>	<u>(27,787)</u>
Actual tax expense	<u>(1,948,791)</u>	<u>(1,838,585)</u>	<u>(1,912,418)</u>

The components of the deferred tax asset (liability) recognised in the combined statements of financial position and the movements during the Relevant Periods are as follows:

	Tax losses	Depreciation allowance in excess of related depreciation	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1 January 2014	6,119,176	(24,590,974)	(18,471,798)
Charged to profit or loss	<u>(839,610)</u>	<u>(1,072,808)</u>	<u>(1,912,418)</u>
At 31 December 2014	<u>5,279,566</u>	<u>(25,663,782)</u>	<u>(20,384,216)</u>
At 1 January 2015	5,279,566	(25,663,782)	(20,384,216)
Charged to profit or loss	<u>(722,064)</u>	<u>(1,116,521)</u>	<u>(1,838,585)</u>
At 31 December 2015	<u>4,557,502</u>	<u>(26,780,303)</u>	<u>(22,222,801)</u>
At 1 January 2016	4,557,502	(26,780,303)	(22,222,801)
Charged to profit or loss	<u>(850,739)</u>	<u>(1,098,052)</u>	<u>(1,948,791)</u>
At 31 December 2016	<u>3,706,763</u>	<u>(27,878,355)</u>	<u>(24,171,592)</u>

12. DIVIDENDS PAID

	Year ended 31 December		
	2016 <i>HK\$</i>	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Interim dividends HK\$Nil (2015: HK\$3,850,000) (2014: HK\$Nil) per ordinary share	–	7,700,000	–

13. DIRECTORS' EMOLUMENTS

	Year ended 31 December		
	2016 <i>HK\$</i>	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Directors' fees	Nil	Nil	Nil
Salaries, allowances, bonuses and benefits-in-kind	Nil	Nil	Nil
Retirement scheme contributions	Nil	Nil	Nil

14. SIGNIFICANT LEASING ARRANGEMENTS

The total future minimum lease payments under a non-cancellable operating lease are receivable as follows:

	At 31 December		
	2016 <i>HK\$</i>	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Within one year	18,000,000	18,000,000	18,000,000
After one year but within five years	51,000,000	69,000,000	72,000,000
After five years	–	–	15,000,000
	<u>69,000,000</u>	<u>87,000,000</u>	<u>105,000,000</u>

The operating lease rentals of the Target Group's investment properties are based on a minimum rental plus a revenue level-based additional rent. The minimum rentals are used to arrive at the above commitments.

No contingent rentals were earned during the Relevant Periods.

15. MATERIAL RELATED PARTY TRANSACTIONS

Apart from the balances and transactions with group companies as shown in notes 6, 7, 9 and 19 to the financial information, the Target Group entered into the following material related party transactions during the Relevant Periods:

	Year ended 31 December		
	2016 <i>HK\$</i>	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Rental income received from a fellow subsidiary	18,000,000	18,000,000	18,000,000
Accountancy fee paid to a fellow subsidiary	3,200	4,800	3,600
Construction cost paid to a fellow subsidiary	118,097	–	–
Interest expense paid to a fellow subsidiary	4,274,965	4,939,769	3,755,987

Note: The transactions were carried out on normal commercial terms and in the ordinary course of business.

16. CAPITAL MANAGEMENT

The Target Group's primary objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern, so that it can continue to provide financial returns to shareholder, and by securing access to financing sources at reasonable costs.

The Target Group defines "capital" as including all components of equity. Trading balances that arise as a result of trading transactions with other group companies are not regarded by the Target Group as capital.

The Target Group's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Target Group belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Target Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Target Group.

The Target Group was not subject to externally imposed capital requirements during the Relevant Periods and at the end of the Relevant Periods.

17. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Target Group's business. The Target Group's exposure to these risks and the financial risk management policies and practices used by the Target Group to manage these risks are described below.

Credit risk

At the end of the Relevant Periods, the Target Group did not hold any assets which would expose the group to significant credit risk.

Liquidity risk

The Target Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains adequate funding from its group companies to meet its liquidity requirements in the short and longer term.

Except for the amounts due to an intermediate holding company and a fellow subsidiary and the rental deposit received, the remaining contractual maturities at the end of the Relevant Periods of the Target Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Target Group can be required to pay, are within one year or on demand.

Interest rate risk

At 31 December 2016, the Target Group did not have any assets or liabilities which would expose the Target Group to interest rate risk.

At 31 December 2015 and 2014, the Target Group was exposed to interest rate risk through the impact of rates changes on the amount due to a fellow subsidiary which bore floating interest rate at Hong Kong dollar prime rate minus 0.5% per annum. The effective interest rate at 31 December 2015 and 2014 was 4.5% per annum.

Sensitivity analysis

At 31 December 2015 and 2014, it was estimated that for a general increase/decrease of 100 basis points (2014: 100 basis points) in interest rates, with all other variables held constant, the Target Group's profit after tax and total equity would have decreased/increased by HK\$952,968 (2014: HK\$975,340). The sensitivity analysis indicates the annualised impact on the Target Group's interest expense that would arise assuming that the change in interest rates had occurred at 31 December 2015 and 2014 and had been applied to floating rate instruments which expose the Target Group to cash flow interest rate risk at those dates.

Foreign currency risk

The Target Group has no exposure to foreign currency risk as all of the Target Group's transactions are denominated in Hong Kong dollars.

Fair value measurement

All financial instruments, except the amounts due to an intermediate holding company and a fellow subsidiary, are carried at amounts not materially different from their fair values at 31 December 2016, 2015 and 2014. Given that the amounts due to an intermediate holding company and a fellow subsidiary have no fixed repayment terms, it is not meaningful to disclose their fair values.

18. ACCOUNTING ESTIMATES AND JUDGEMENTS

The key sources of estimation uncertainty and critical accounting judgements in applying the Target Group's accounting policies are described below.

Valuation of investment properties

As described in note 4, investment properties are stated at fair value based on the valuation performed by an independent firm of professional surveyors.

In determining the fair value of investment properties, the valuers have based on a method of valuation which involves, inter alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and by making reference to comparable sales transactions as available in the market. In relying on the valuation report, management have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

Recognition of deferred tax asset

As set out in note 11, the Target Group had recognised a deferred tax asset in relation to tax losses at 31 December 2016, 2015 and 2014. The realisability of deferred tax assets mainly depends on whether it is probable that future taxable profits will be available against which related tax benefit under the deferred tax assets can be utilised. In cases where the actual future taxable profits generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

19. BANKING FACILITIES

At 31 December 2016 and 2015, there existed banking facilities made available to the Target Group and certain fellow subsidiaries jointly which were secured by a corporate guarantee from the ultimate controlling party. Such facilities were utilised by the Target Group to the extent of HK\$1,000,000 at those dates (2014: None).

20. PARENT AND ULTIMATE CONTROLLING PARTY

At the end of the Relevant Periods, the directors of the Target Company considered the immediate parent company to be Kingslee S.A., a company incorporated in the Republic of Panama, which is a subsidiary of Henderson Land Development Company Limited, and the ultimate controlling party to be Henderson Development Limited, both of which are incorporated in Hong Kong. Henderson Land Development Company Limited produces financial statements available for public use.

21. POSSIBLE IMPACT OF AMENDMENTS TO HKFRSS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of this financial information, the HKICPA has issued a few amendments to HKFRSs and new standards which are not yet effective for the Relevant Periods and which have not been adopted in the presentation of this financial information. These include the following which may be relevant to the Target Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 12	– Income taxes	1 January 2017
Amendments to HKAS 7	– Statement of cash flows	1 January 2017
HKFRS 15	– Revenue from contracts with customers	1 January 2018
HKFRS 9	– Financial instruments	1 January 2018
Amendments to HKFRS 2	– Share-based payment “Classification and measurement of share-based payment transactions”	1 January 2018
HKFRS 16	– Leases	1 January 2019

The Target Group is in the process of making an assessment of what the impact of these amendments to HKFRSs and new standards is expected to be in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the financial information.

22. INFORMATION ON STATUTORY FINANCIAL STATEMENTS OF THE SUBSIDIARY OF THE TARGET GROUP

The statutory financial statements of the subsidiary of the Target Group, which were subject to audit during the Relevant Periods, were prepared in accordance with HKFRSs. The statutory auditor of these financial statements are indicated below:

Name of subsidiary	Financial period	Statutory auditor
Conradion Limited	Years ended 31 December 2014, 2015 and 2016	W. M. Sum & Co.

23. EVENTS SUBSEQUENT TO 31 DECEMBER 2016

There were no material events affecting the Target Group subsequent to 31 December 2016 and at the date of approval of the financial information.

No audited financial statements have been prepared by the Target Company and its subsidiary comprising the Target Group in respect of any period subsequent to 31 December 2016.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Business Review

Set out below is the management discussion and analysis of the Target Group for each of the three years ended 31 December 2014, 2015 and 2016 as extracted from the accountant's report of the Target Group.

	Year ended 31 December		
	2016	2015	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Revenue	<u>18,000,000</u>	<u>18,000,000</u>	<u>18,000,000</u>
Profit from operations before changes in fair value of investment properties	16,247,463	15,907,495	15,143,548
(Decrease) increase in fair value of investment properties	<u>(90,348,297)</u>	<u>239,302,090</u>	<u>9,742,000</u>
(Loss) profit from operations after change in fair value of investment properties	(74,100,834)	255,209,585	24,885,548
Finance cost	<u>(4,274,965)</u>	<u>(4,939,769)</u>	<u>(3,755,987)</u>
(Loss) profit before taxation	(78,375,799)	250,269,816	21,129,561
Income tax	<u>(1,948,791)</u>	<u>(1,838,585)</u>	<u>(1,912,418)</u>
(Loss) profit and total comprehensive income for the year	<u>(80,324,590)</u>	<u>248,431,231</u>	<u>19,217,143</u>

Revenue

Revenue of the Target Group represents rental income earned during the Relevant Periods which remained HK\$18 million throughout the Relevant Periods. The rental income was derived pursuant to the operating lease with the current to the investment property of the Target Group which comprises the Property.

Profit from operations before changes in fair value of investment properties

The profit from operations before changes in fair value of investment properties remained stable during the Relevant Periods. The Target Group's principal income is derived from operating lease rental which features a stable income and cost structure.

Changes in fair value of investment properties

The Target Group's investment properties were valued by external professional valuer for each of the year ended 31 December 2014, 2015 and 2016 on a market value basis. The investment properties of the Target Group comprise solely the Property which are rented out under an operating lease for rental income.

Net Income

The loss or profit and total comprehensive income of the Target Group fluctuated during the Relevant Periods which was primarily attributable to the fluctuation of the changes in fair value of the investment properties of the Target Group.

Cash position

The Target Group did not have any cash and bank balances as at 31 December 2014, 2015 and 2016.

Borrowings

As at 31 December 2014, 2015 and 2016, the Target Group did not have any external bank borrowings. The Target Group is primarily financed by retained earnings and loans from an intermediate holding company and a fellow subsidiary. The amount due to the fellow subsidiary was unsecured and interest-bearing at Hong Kong dollars prime rate minus 1% per annum up to and including 31 December 2016 (at prime rate less 0.5% per annum for 2014 and 2015) on which date the entire amount was transferred from the fellow subsidiary to the intermediate holding company and became an amount due to the intermediate holding company.

Gearing ratio

The gearing ratio was approximately 63.3% in term of overall debt comprising the amount due to an intermediate holding company of approximately HK\$204.9 million and amount due to a fellow subsidiary of approximately HK\$116.8 million against the total equity of the Target Group of HK\$508.0 million as at 31 December 2014.

The gearing ratio was approximately 42.6% in term of overall debt comprising the amount due to an intermediate holding company of approximately HK\$204.8 million and amount due to a fellow subsidiary of approximately HK\$114.1 million against the total equity of the Target Group of HK\$748.7 million as at 31 December 2015.

The gearing ratio was approximately 46.0% in term of overall debt comprising the amount due to an intermediate holding company of approximately HK\$307.3 million against the total equity of the Target Group of HK\$668.4 million as at 31 December 2016.

Pledge of assets

As at 31 December 2014, 2015 and 2016 none of the assets of the Target Group were pledged.

CONTINGENT LIABILITIES

As at 31 December 2014, 2015 and 2016, the Target Group had no significant contingent liabilities.

SIGNIFICANT INVESTMENT

The Target Group did not hold any other significant investment as three years ended 31 December 2014, 31 December 2015 and 31 December 2016 respectively.

EXCHANGE RISK

The Target Group has no exposure to foreign currency risk as all the Target Group's transactions are denominated in Hong Kong dollars.

STAFF AND REMUNERATION POLICY

For each of the year ended 31 December 2014, 2015 and 2016, the Target Group had not employed any full-time employees.

MATERIAL ACQUISITIONS AND DISPOSALS

For the purpose of preparation of the financial statements of the Target Group, the assets and liabilities, and results of the Target Company and Conradion are combined and those of the other subsidiaries are excluded (i.e. on a carve-out basis). No material acquisitions and disposals were made by the Target Company and Conradion during the Relevant Periods.

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED
GROUP**

The unaudited pro forma financial information (the “Unaudited Pro Forma Financial Information”) presented below is prepared to illustrate the financial effect of the Group as if the proposed acquisition of equity interest in Enhance Invest Inc. (the “Acquisition”) had been completed on 1 January 2016 or 31 December 2016, as appropriate.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only and because of its hypothetical nature, it may not purport to present the true picture of the financial effect of the Group upon the completion of the Acquisition as at 1 January 2016 or 31 December 2016 or at any future dates.

The Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), for the purpose of illustrating the effect of the Acquisition as if the Acquisition had been completed on 1 January 2016 or 31 December 2016.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated statement of profit or loss of the Group for the year ended 31 December 2016, the audited consolidated statement of total comprehensive income of the Group for the year ended 31 December 2016, the audited consolidated statement of financial position of the Group as at 31 December 2016 and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2016 extracted from the published annual report of the Group for the year ended 31 December 2016, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition and (ii) factually supportable, as if the Acquisition had been completed on 1 January 2016 or 31 December 2016, as appropriate.

The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with the historical financial information of the Group as set out in Appendix I to this Circular, and the financial information of the Target Group as set out in Appendix II to this Circular and other financial information included elsewhere in this Circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group HK\$'000 (Note 1)	Pro Forma Adjustments		Unaudited Pro Forma of the Enlarged Group HK\$'000
		HK\$'000 (Note 2a)	HK\$'000 (Note 3)	
Revenue	590,665	18,000		608,665
Cost of sales	(4,219)	(1,493)		(5,712)
Other service costs	(242,466)			(242,466)
Depreciation of property, plant and equipment and release of prepaid lease payments for land	(76,470)			(76,470)
Gross profit	267,510			284,017
Increase (decrease) in fair value of investment properties	216,101	(1,000)		215,101
Other income and gains	48,261			48,261
Administrative expenses				
– Depreciation	(7,380)			(7,380)
– Others	(38,232)	(39)	(2,330)	(40,601)
	(45,612)			(47,981)
Other expenses	(15,887)	(6)		(15,893)
Finance costs	(12,111)			(12,111)
Profit before taxation	458,262			471,394
Income tax expense	(37,371)			(37,371)
Profit for the year	<u>420,891</u>			<u>434,023</u>
Profit for the year attributable to:				
Owners of the Company	193,945	7,771	(1,443)	200,273
Non-controlling interests	<u>226,946</u>	<u>7,691</u>	<u>(887)</u>	<u>233,750</u>
	<u>420,891</u>			<u>434,023</u>

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF TOTAL
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group <i>HK\$'000</i> <i>(Note 1)</i>	Pro Forma Adjustments <i>HK\$'000</i> <i>(Note 2a)</i> <i>(Note 3)</i>		Unaudited Pro Forma of the Enlarged Group <i>HK\$'000</i>
Profit for the year	420,891	15,462	(2,330)	434,023
Other comprehensive expense				
Items that may be subsequently reclassified to profit or loss				
Exchange differences arising on translation of foreign operations	(101,339)			(101,339)
Fair value loss on available-for-sale investments	(4,671)			(4,671)
Securities revaluation reserve released upon disposal of available-for-sale investments	(564)			(564)
Other comprehensive expense for the year	(106,574)			(106,574)
Total comprehensive income for the year	<u>314,317</u>			<u>327,449</u>
Total comprehensive income attributable to:				
Owners of the Company	155,865	7,771	(1,443)	162,193
Non-controlling interests	158,452	7,691	(887)	165,256
	<u>314,317</u>			<u>327,449</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
**D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL
POSITION
AT 31 DECEMBER 2016**

	The Group HK\$'000 (Note 1)	Pro Forma Adjustments			Unaudited Pro Forma of the Enlarged Group HK\$'000
		HK\$'000 (Note 2b)	HK\$'000	HK\$'000 (Note 3)	
NON-CURRENT ASSETS					
Property, plant and equipment	2,874,620				2,874,620
Prepaid lease payments for land	27,898				27,898
Investment properties	3,890,050	1,000,000			4,890,050
Properties under development	56,369				56,369
Available-for-sale investments	6,768				6,768
	<u>6,855,705</u>				<u>7,855,705</u>
CURRENT ASSETS					
Inventories	1,067				1,067
Prepaid lease payments for land	795				795
Trade and other receivables	22,603				22,603
Other deposits and prepayments	9,336	1,063			10,399
Pledged bank deposits	446,587				446,587
Bank balances and cash	434,826		(432,496)	(2,330)	-
	<u>915,214</u>				<u>481,451</u>
CURRENT LIABILITIES					
Trade and other payables and accruals	36,099	9	568,058		604,166
Rental and other deposits received	25,524	1,500			27,024
Advance from ultimate holding company	48,469				48,469
Tax liabilities	4,434				4,434
Bank loans	809,271				809,271
	<u>923,797</u>				<u>1,493,364</u>
NET CURRENT LIABILITIES	<u>(8,583)</u>				<u>(1,011,913)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>6,847,122</u>				<u>6,843,792</u>
CAPITAL AND RESERVES					
Share capital	172,252				172,252
Reserves	2,919,972	(503)		(1,443)	2,918,026
Equity attributable to owners of the Company	3,092,224				3,090,278
Non-controlling interests	3,565,228	(497)		(887)	3,563,844
TOTAL EQUITY	<u>6,657,452</u>				<u>6,654,122</u>
NON-CURRENT LIABILITIES					
Rental deposits received	34,238				34,238
Deferred tax liabilities	155,432				155,432
	<u>189,670</u>				<u>189,670</u>
	<u>6,847,122</u>				<u>6,843,792</u>

E. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group HK\$'000 (Note 1)	Pro Forma Adjustments		Unaudited Pro Forma of the Enlarged Group HK\$'000
		HK\$'000 (Note 4)	HK\$'000 (Note 3)	
OPERATING ACTIVITIES				
Profit before taxation	458,262	15,462	(2,330)	471,394
Adjustments for:				
Interest income from bank deposits	(2,325)			(2,325)
Finance costs	12,111			12,111
(Increase) decrease in fair value of investment properties	(216,101)	1,000		(215,101)
Loss on disposal of property, plant and equipment	141			141
Gain on disposal of available-for-sale investments	(564)			(564)
Exchange gain	(29,118)			(29,118)
Depreciation of property, plant and equipment	83,055			83,055
Release of prepaid lease payments for land	795			795
Operating cash flows before movements in working capital	306,256			320,388
Increase in inventories	(121)			(121)
Increase in trade and other receivables	(1,475)			(1,475)
Decrease (increase) in other deposits and prepayments	139	(205)		(66)
Increase in trade and other payables and accruals	5,195			5,195
Increase in rental and other deposits received	6,588			6,588
Cash generated from operations	316,582			330,509
Hong Kong Profits Tax paid	(37,269)			(37,269)
Income tax elsewhere paid	(979)			(979)
Interest from bank deposits received	2,325			2,325
NET CASH FROM OPERATING ACTIVITIES	<u>280,659</u>			<u>294,586</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group	Pro Forma Adjustments		Unaudited Pro Forma of the Enlarged Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 1)</i>	<i>(Note 4)</i>	<i>(Note 3)</i>	
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	121			121
Proceeds from disposal of available-for- sale investments	124,868			124,868
Expenditure on properties under development	(12,366)			(12,366)
Acquisition of property, plant and equipment	(8,375)			(8,375)
Purchase of available-for-sale investments	(1,115)			(1,115)
Expenditure on investment properties	(124)			(124)
Purchase of an investment property	(805,706)			(805,706)
Acquisition of the Target Group	–	(1,000,349)		(1,000,349)
Placement in pledged bank deposits	(446,587)			(446,587)
	<u>(1,149,284)</u>			<u>(2,149,633)</u>
NET CASH USED IN INVESTING ACTIVITIES				
FINANCING ACTIVITIES				
Interest paid	(12,111)			(12,111)
New bank loans raised	345,111			345,111
Repayments of bank loans	(66,537)			(66,537)
Dividends paid to non-controlling interests	(28,675)			(28,675)
Advance from ultimate holding company	2,486			2,486
Repayment to ultimate holding company	(445)			(445)
	<u>239,829</u>			<u>239,829</u>
NET CASH FROM FINANCING ACTIVITIES				
NET DECREASE IN CASH AND CASH EQUIVALENTS				
	(628,796)			(1,615,218)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR				
	1,065,431			1,065,431
Effect of foreign exchange rate changes	(1,809)			(1,809)
	<u>434,826</u>			<u>(551,596)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash				
	<u><u>434,826</u></u>			<u><u>(551,596)</u></u>

**F. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION FOR
THE YEAR ENDED 31 DECEMBER 2016**

1. The figures are extracted from the audited consolidated statement of profit or loss of the Group for the year ended 31 December 2016, the audited consolidated statement of total comprehensive income of the Group for the year ended 31 December 2016, the audited consolidated statement of financial position of the Group as at 31 December 2016 and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2016 from the published annual report of the Group for the year ended 31 December 2016.
2. The Target Group principally holds a hotel property (the “Property”) in Hong Kong and does not carry out any other active business operations. Under Hong Kong Financial Reporting Standard 3 (Revised) “Business Combinations” (“HKFRS 3”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the acquisition method does not apply to a situation where the acquisition of an asset or a group of assets does not constitute a business. Accordingly, the acquisition of the Target Group (the “Acquisition”) is not considered as a business combination. In accordance with HKFRS 3, the consideration shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of completion of the Acquisition and such a transaction does not give rise to goodwill.
 - (a) The adjustment represents the inclusion of the relevant results of the Target Group for the year ended 31 December 2016 as if the Acquisition had been completed on 1 January 2016, including:
 - (i) the rental income generated by the Property in respect of the existing rental agreement amounting to HK\$18,000,000; (ii) the cost of sales amounting to HK\$1,493,000 relating to repair and maintenance, government rent and other direct expense (which is extracted from direct costs for the year ended 31 December 2016 amounting to HK\$1,707,000 as disclosed in the accountants’ report on the Target Group as set out in Appendix II to this circular and excluded the depreciation of HK\$214,000 as the relevant plant and equipment with carrying amount of HK\$347,000 are fully impaired); (iii) administrative expenses amounting to HK\$39,000; and (iv) other expenses incurred for daily operation amounting to HK\$6,000.

The Group will seek to lease the Property to a hotel operator. The Property is to be held by the Group to earn rentals and for capital appreciation and hence is classified as an investment property, which is initially measured at cost and subsequently measured at fair value. Change in fair value of investment property will be recognised in profit or loss. In preparing the Unaudited Pro Forma Financial Information, the directors of the Company assume the deemed

fair values of the Property as at 1 January 2016 and 31 December 2016 were HK\$1,000,000,000, which was the purchase price of the Property as if the Acquisition had been completed on 1 January 2016 or 31 December 2016 respectively. Accordingly, fair value adjustment amounting to HK\$1,000,000 (being stamp duty and per note (b)(ii) below), representing the difference between the total acquisition cost and the fair value of the Property, is recognised in profit or loss as if the Acquisition had taken place as at 1 January 2016.

- (b) The adjustment is to reflect (i) the Acquisition at an estimated consideration of HK\$999,554,000; (ii) the stamp duty amounting to HK\$1,000,000, which is directly attributable cost of the Acquisition; and (iii) the acquired assets and liabilities of the Target Group pursuant to the sale and purchase agreement, in which the relevant amounts were extracted from the audited consolidated statement of financial position of the Target Group as at 31 December 2016 included in the accountants' report on the Target Group set out in Appendix II to this circular as if the Acquisition had taken place on 31 December 2016. In preparing the Unaudited Pro Forma Financial Information, the directors of the Company assume the plant and equipment of the Target Group amounting to HK\$347,000 are fully impaired and the estimated consideration and the stamp duty are settled by cash amounting to HK\$432,496,000 with the remaining shortfall being recognised and included in trade and other payables and accruals amounting to HK\$568,058,000.

The estimated consideration is calculated based on the agreed acquisition value amounting to HK\$1,000,000,000 plus the amount of Completion NAV (as defined below) if the Completion NAV is a positive figure, or minus the absolute value of the amount of Completion NAV if the Completion NAV is a negative figure. For the purpose of illustrating the effect of the Acquisition as if the Acquisition had been completed on 31 December 2016, the Completion NAV is a negative figure amounting to HK\$446,000, comprising of (i) other deposits and prepayments of HK\$1,063,000; (ii) trade and other payables and accruals of HK\$9,000; and (iii) rental and other deposits received of HK\$1,500,000. As a result, the estimated consideration amounts to HK\$999,554,000.

This adjustment has no continuing effect.

The Group intends to finance the Acquisition through internal resources and possible additional financing through term loan facilities of HK\$900,000,000. Any loan facilities shall be drawn down to comply with payment schedule as set out in the sale and purchase agreement.

3. The adjustment represents the estimated legal and professional fee of HK\$2,330,000 which is charged to profit or loss. This adjustment has no continuing effect.

4. The adjustment represents the inclusion of relevant cash flows of the Target Group for the year ended 31 December 2016 and reflects (i) the estimated consideration for the Acquisition amounting to HK\$999,349,000 and (ii) stamp duty amounting to HK\$1,000,000 as if the Acquisition had taken place on 1 January 2016. For the purpose of illustrating the effect of the Acquisition, the Completion NAV as at 1 January 2016 is a negative figure amounting to HK\$651,000, comprising of (i) other deposits and prepayments of HK\$858,000, (ii) trade and other payables and accruals of HK\$9,000; and (iii) rental and other deposits received of HK\$1,500,000. As a result, the estimated cash outflow for the Acquisition amounts to HK\$1,000,349,000.
5. No adjustment have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2016.

G. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Shun Ho Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shun Ho Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2016, the unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2016, the unaudited pro forma consolidated statement of total comprehensive income for the year ended 31 December 2016, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2016 and related notes as set out on pages 76 to 83 of the circular issued by the Company dated 25 April 2017 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page 75 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of equity interest in Enhance Invest Inc. (the "Acquisition") on the Group's financial position as at 31 December 2016 and the Group's financial performance and cash flows for the year ended 31 December 2016 as if the Acquisition had taken place at 31 December 2016 and 1 January 2016 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2016, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling 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” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express 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.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2016 or 1 January 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 25 April 2017

The following is the text of a letter, and valuation certificate, prepared for the purpose of incorporation in this circular received from Dudley Surveyors Limited, an independent valuer, in connection with its valuation as at 22 February 2017 of the Property to be acquired by Shun Ho Property Investments Limited.



Our Reference No.: 0102/17139(2)/EK1KT2EL1

22 February 2017

The Directors
Houston Venture Limited
3rd Floor, Shun Ho Tower,
24-30 Ice House Street,
Central, Hong Kong

Dear Sir

Re: Valuation of Newton Inn, 88 Chun Yeung Street, North Point, Hong Kong (the “Property”)

We refer to the instruction from Houston Venture Limited (the “Instructing Party”) for us to carry out valuation of the captioned property interests held by Conradion Limited in Hong Kong. We confirm that we have made relevant investigation and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interests as at 22 February 2017 (“Valuation Date”).

Valuation Standards and Basis

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities (the “Exchange Listing Rules”) issued by The Stock Exchange of Hong Kong Limited and the “HKIS Valuation Standards (2012 Edition)” published by the Hong Kong Institute of Surveyors (“HKIS”).

Our valuation is conducted on market value basis which is defined by the International Valuation Standards and followed by the HKIS to mean “*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale and purchase (or transaction) and without offset for any associated taxes or potential taxes.

We have valued the Property as a fully operational business unit reflecting its trading potential. Our valuation includes the fixtures, furniture and equipment of the Property.

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit and burden of any deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the Property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting sale. Unless otherwise stated, it is assumed that the Property was free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Valuation Methodology

We have valued the property interest by using direct comparison approach. We have assumed sale of the property interests in its existing state with the benefit of vacant possession and by making reference to comparable sale evidence available in the relevant market.

Source of Information

In the course of our analysis, we have relied on a considerable extent on the information provided by the Instructing Party and have accepted the advice given to us on such matters as tenure, planning approvals, statutory notices, easements, site and floor areas, occupancy and all other relevant matters.

No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us or collected from relevant government departments and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by you, which are material to the valuation. We were also advised that no material factors have been omitted from the information supplied.

Title Investigations

We have caused searches to be made at the Land Registry regarding the Property. According to the search, recorded up to 22 February 2017, the registered owner of the property is Conradion Limited. However, we are not legal professional and we are unable to ascertain the title and encumbrances (if any) registered against the property. We have assumed that the property has good title.

Property Inspection

The property was inspected by Ms Ellen Lo and Mr Harry Chan on 9 February 2017. We have inspected the property to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the property is free of rot, infestation or any other structural defects.

We have not carried out site measurements to verify the correctness of the site area of the Property and have assumed that the site area shown on the documents and official site plan handed to us is correct. During our inspection, we have not carried out investigations on the site to determine the suitability of the ground conditions and the services for any future development. Our valuation is on the basis that these aspects are satisfactory.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have assumed that no contaminative or potentially contaminative uses have ever been carried out in the Property.

Mr Harry Chan has provided professional assistance to the person signing this report. Mr Chan is a registered professional surveyor (general practice) and a fellow member of Hong Kong Institute of Surveyors. He has over 25 years' post qualification experience in valuation of properties in Hong Kong.

We enclose herewith our valuation certificate.

Yours faithfully
For and on behalf of
Dudley Surveyors Limited
Ellen Lo Yee Tak
B.Sc., MHKIS, MRICS, RPS(GP), MCIREA
Managing Director

Note:

Ms. Ellen Lo Yee Tak of 9/F., Siu Ying Commercial Building, 153 Queen's Road Central, Hong Kong, who is a Registered Professional Surveyor (General Practice), a member of The Hong Kong Institute of Surveyors and a member of Royal Institution of Chartered Surveyors. She has over 31 years' experience in real estate industry and property valuation sector in Hong Kong and the People's Republic of China.

Encl.

VALUATION CERTIFICATE

Property	Description and Tenure	Details of Occupancy	Capital value in the existing state as at 22 February 2017
<p>Newton Inn, 88 Chun Yeung Street, North Point, Hong Kong (the "Property")</p> <p>Registered at the Land Registry as Inland Lot No. 6733, 6734, 6735, 6736, 6737, 6738, 6739, 6740 and 6741.</p>	<p>The Property is located on the southern side of Chun Yeung Street near its junction of North Point Road in North Point district of Hong Kong Island.</p> <p>The Property is a medium tariff three-star hotel of 30 storeys comprising 317 guest rooms, catering and recreational facilities, back of house, and car parking facilities completed in 1999. The Property occupies a site with site area of about 9,556 square feet.</p> <p>The total gross floor area of the Property is approximately 143,342 square feet.</p> <p>The Property is held under government leases for a term of 75 years renewable for 75 years commencing from 5 September 1921. The total annual Government rent for the lots is HK\$276,816.</p>	<p>The Property is operated as Newton Inn upon the date of inspection.</p> <p>Please refer to Note 4 below for details of tenancy.</p>	<p>HK\$1,000,000,000 (Hong Kong Dollars One Billion Only)</p>

Notes:

1. The current registered owner of the Property is Conradion Limited vide Memorial No. UB5473763 dated 13 October 1992, Memorial No. UB5490991 and UB5490992 dated 20 October 1992, Memorial No. UB5511922 dated 25 November 1992, Memorial No. UB3438302 dated 7 July 1987, Memorial No. UB4274695 dated 8 September 1987, Memorial No. UB3516709 dated 21 September 1987, Memorial No. UB5832804 dated 11 October 1993 and Memorial No. UB5832799 dated 13 September 1993.
2. According to our land search record, the Property is subject to the following salient encumbrances:
 - (a) Deed of Release of Rights of Way vide Memorial No. UB5728525 dated 20 July 1993, Memorial No. UB4770690 dated 8 April 1991, Memorial No. UB7412191 dated 21 January 1998 and Memorial No. UB7501403 dated 27 May 1998.
 - (b) No-objection Letter vide Memorial No. UB7371920, UB7371921, UB7371922, UB7371923, UB7371924, UB7371925, UB7371926, UB7371927 and UB7371928 dated 27 November 1997.
3. The Property is situated in an area zoned as "Commercial/Residential" uses under the Draft North Point (HPA 8) Outline Zoning Plan No. S/H8/25 dated 5 August 2016.
4. The Property is leased to Newton Inn (North Point) Limited for a term of 10 years commencing from 1 November 2009 to 31 October 2019 at a rental of HK\$1,500,000 per month.

We are instructed to value the Property on vacant possession basis.

1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company 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 (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in appendix 10 to the Listing Rules, were as follows:

(i) *The Company*

Name of Director	Capacity	Nature of Interests	Number of shares/ underlying shares held	Approximately % of shareholding
William Cheng Kai Man	Interest of controlled corporations	Corporate	216,608,825 (<i>Note</i>)	71.20

Note:

Trillion Resources Limited beneficially owned 154,006,125 Shares and Mercury Fast Limited (“Mercury”) beneficially owned 62,602,700 Shares, representing 50.60% and 20.60% of the issued Shares respectively. Mr. Cheng had controlling interests in these companies.

(ii) *Interests in associated corporations (within the meaning of Part XV of the SFO) of the Company*

Name of director	Name of associated corporation	Capacity	Nature of interests	Number of Shares held	Approximate % of shareholding
William Cheng Kai Man	Shun Ho Property (Note 1)	Interest of controlled corporations	Corporate	359,543,999	62.02
William Cheng Kai Man	Magnificent Hotel (Note 2)	Interest of controlled corporations	Corporate	6,360,585,437	71.09
William Cheng Kai Man	Trillion Resources Limited (Note 3)	Beneficial owner	Personal	1	100

Notes:

1. Shun Ho Property, the Company's subsidiary, is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange.
2. Magnificent Hotel, the Company's indirect subsidiary, is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange.
3. Trillion Resources Limited, the Company's ultimate holding company, is a company incorporated in the British Virgin Islands.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers and none of the Directors or their associates or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company or associated corporations, or had exercised any such right.

Substantial Shareholders

So far as is known by or otherwise notified by any Director and chief executive of the Company, as at the Latest Practicable Date, the particulars of the corporations or individuals (not being Directors or chief executive of the Company), had an interest and/or short position in the Shares or underlying Shares (as the case may be) which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or was otherwise interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholder	Capacity	Number of shares/ underlying shares held	Approximate % of shareholding
Mercury	Beneficial owner	62,602,700	20.60
Magnificent Estates Limited (Now known as Magnificent Hotel) (<i>Note 1</i>)	Interest of controlled corporation	62,602,700	20.60
Shun Ho Technology Holdings Limited (Now known as Shun Ho Property) (<i>Note 1</i>)	Interest of controlled corporation	62,602,700	20.60
Trillion Resources Limited (<i>Note 2</i>)	Beneficial owner and Interest of controlled corporation	216,608,825	71.20
Liza Lee Pui Ling (<i>Note 3</i>)	Interest of Spouse	216,608,825	71.20

Notes:

- Magnificent Hotel and Shun Ho Property were taken to be interested in 62,602,700 Shares held by Mercury, a wholly-owned subsidiary of Magnificent Hotel which in turn owned as to 71.09% by Shun Ho Property and its subsidiaries.
- Trillion Resources Limited beneficially owned 154,006,125 Shares (50.60%) and was taken to be interested in 62,602,700 Shares (20.60%) held by Mercury which is the Company's indirect subsidiary.
- Madam Liza Lee Pui Ling was deemed to be interested in 216,608,825 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.

Save as disclosed above and so far as is known to the Directors, as at the Latest Practicable Date, no other person (other than the Directors and chief executives) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective associates, was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder).

4. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACT OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest in any assets which have been, since 31 December 2016 (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.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN SERVICE CONTRACTS

As at the Latest Practicable Date, none of the directors had any existing or was proposing to enter into any service contracts with the Company or any member of the Group or any member of the Target Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

6. LITIGATION

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief and based on information provided by the Vendor, the Target Group was not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Target Group.

7. 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 December 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

8. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried on by the Company and its subsidiaries) have been entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular:

- (a) The sale and purchase agreement dated 25 March 2015 (as supplemented by the supplemental agreement dated 13 April 2015) between Shun Ho Technology Holdings Limited (now known as Shun Ho Property) and Magnificent Estates Limited (now known as Magnificent Hotel) for the acquisition by Shun Ho Property from Magnificent Hotel the Magnificent Hotel's entire 100% interest in the 633 King's Road Property and 68% interest in Shun Ho Tower, through acquisition of Magnificent Hotel's entire 68% indirect interest in Trans-Profit Limited and 100% interest in Houston Venture together with the shareholder's loans for a consideration of approximately HK\$2,413 million;
- (b) The sale and purchase agreement dated 23 June 2016 between King Express Development Limited, a direct wholly-owned subsidiary of Magnificent Hotel entered into a purchase Agreement with British Overseas Bank Nominees Limited and WGTC Nominees Limited, in their capacity as nominees for and on behalf of National Westminster Bank PLC as depositary and not otherwise of Henderson UK Property PAIF as the Vendor for the acquisition of all that freehold land and property known as "Travelodge Royal Scot Hotel", 100 King's Cross Road, London, WC1X 9DT, United Kingdom and which is registered at Land Registry with absolute title under Title Number NGL274145 ("Travelodge Royal Scot Hotel") for a Consideration of GBP70,300,000 (equivalent to approximately HK\$731,120,000);
- (c) The Sale and Purchase Agreement;
- (d) The asset purchase agreement dated 27 February 2017 between 1106558 B.C. Limited as purchaser, a wholly-owned subsidiary of Funstar Development Limited ("Funstar") which in turn is an investment holding company owned as to 50% by Babenna Limited (a wholly-owned subsidiary of Magnificent Hotel) ("Babenna"), Honestwide Investment Limited, a wholly-owned subsidiary of Magnificent Hotel as the sponsor, Georgia Properties Partnership, Hotel Georgia Development Ltd and 801 West Georgia Ltd as vendors, for the acquisition of the hotel building situate on the lands at 801 West Georgia Street, Vancouver, British Columbia, Canada and presently named and referred to generally as "Hotel Georgia" or "Rosewood Hotel Georgia" and the related assets for a consideration of CA\$145,000,000 (equivalent to approximately HK\$858,020,000); and

- (e) The shareholders' agreement dated 27 February 2017 between Babenna, Able Shine Enterprises Limited (“**Able Shine**”), Magnificent Hotel as the guarantor of Babenna and Mr. Jonathan Cheng Kai Chun as the guarantor of Able Shine for the formation of Funstar and the ownership, funding, management and activities of Funstar and its subsidiaries as well as its rights and obligations in relation thereto.

9. CONSENTS

Each of Amasse, Dudley, W.M. Sum & Co. and Deloitte Touche Tohmatsu has given and has not withdrawn their respective written consents to the inclusion of their respective report in this circular with references to their name in form and context in which they respectively appear.

10. QUALIFICATION OF EXPERTS

The followings are the qualification of the experts who have given opinion or advice, contained in this circular:

Name	Qualifications
Amasse Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Dudley Surveyors Limited	Independent Professional Valuer
Deloitte Touche Tohmatsu	Certified Public Accountants
W. M. Sum & Co.	Certified Public Accountants

As at the Latest Practicable Date, none of Amasse, Deloitte Touche Tohmatsu, Dudley and W.M. Sum & Co. had any holding, directly or indirectly, of any securities in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities of any member of the Group.

As at the Latest Practicable Date, none of Amasse, Deloitte Touche Tohmatsu, Dudley and W.M. Sum & Co. had any direct or indirect interests in any assets which since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up) have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.

11. GENERAL

- (a) The registered office of the Company is situated at 3rd Floor, Shun Ho Tower, 24-30 Ice House Street, Central, Hong Kong.
- (b) The share registrar of the Company is Tricor Tengis Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- (c) The secretary of the Company is Ms. Koo Ching Fan, an associate of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and a fellow member of the Association of Chartered Certified Accountants. Ms. Koo is also a holder of the Practitioner's Endorsement issued by the Hong Kong Institute of Chartered Secretaries.
- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the office of the Company at 3rd Floor, Shun Ho Tower, 24-30 Ice House Street, Central, Hong Kong, for a period of 14 days from the date of this circular:

- (a) this circular;
- (b) the articles of association of the Company;
- (c) the annual reports of the Company for each of the financial years ended 31 December 2015 and 31 December 2016;
- (d) the letter of advice from Amasse;
- (e) the accountants' report from W.M. Sum & Co. in respect of the audited financial information of the Target Group as set out in Appendix II to this circular;
- (f) the accountants' report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;
- (g) the valuation report of Dudley in respect of the Target Group, the text of which is set out in Appendix IV to this circular;
- (h) the letters of consent referred to in the section headed "Consents" in this appendix; and
- (i) the material contracts referred to in the paragraph headed "Material Contracts" above.

NOTICE OF THE EGM



SHUN HO HOLDINGS LIMITED

順豪控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 253)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Shun Ho Holdings Limited (the “**Company**”) will be held at 3rd Floor, Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong on Friday, 19 May 2017 at 9:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (A) the sale and purchase agreement (the “**Sale and Purchase Agreement**”, a copy of which has been produced to this meeting and marked “A” and signed by the Chairman of the Meeting for the purpose of identification) dated 17 February 2017 entered into between Houston Venture Limited (the “**Purchaser**”), a wholly-owned subsidiary of Shun Ho Property Investments Limited, as the purchaser and KINGSLEE S.A., a wholly-owned subsidiary of Henderson Land and a deemed connected person of the Company as the vendor (the “**Vendor**”), pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the entire issued and paid-up share capital of Enhance Invest Inc. together with the Sale Loan at a cash consideration of HK\$1,000,000,000 set out in the Sale and Purchase Agreement and that any other transactions contemplated under the Sale and Purchase Agreement be and are hereby approved, confirmed and ratified; and
- (B) any director of the Company be and is hereby authorized to do all such acts and things and execute and deliver all such documents (including any supplemental agreement) whether under the common seal of the Company or otherwise as may be necessary, desirable or expedient to (i) carry out or give effect to any or all transactions contemplated under the Sale and Purchase Agreement (including but not limited to extending any long stop dates provided under the Sale and Purchase Agreement) and/or (ii) protect the interests of the Company and the Purchaser in relation to the Sale and Purchase Agreement or any or all transactions contemplated thereunder, in each case in such manner as may be deemed appropriate by such director.”

By order of the Board

Koo Ching Fan
Secretary

Hong Kong, 25 April 2017
Registered Office:
3rd Floor, Shun Ho Tower,
24-30 Ice House Street,
Central,
Hong Kong

NOTICE OF THE EGM

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and on a poll to vote instead of him. A proxy need not be a member of the Company.
- (2) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
- (3) A form of proxy for use at the meeting is enclosed.
- (4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting.