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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
IN RELATION TO
THE ACQUISITION OF A PROPERTY IN LONDON
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A letter from the board of directors of Shun Ho Holdings Limited is set out on pages 4 to 13 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 25 August 2016 at 12:15 p.m. is set out on pages 49 to 50 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.

8 August 2016

CONTENTS

	<i>Pages</i>
DEFINITIONS	1-3
 LETTER FROM THE BOARD	
1. Introduction	4-5
2. The Acquisition	5-8
3. Information on the Property	8-9
4. Reasons for and Benefits of the Acquisition	10
5. Financial Effects of the Acquisition	10-11
6. Information on the Company	11
7. Information on the Vendor	11
8. Implications under the Listing Rules	11-12
9. The EGM	12
10. Voting by poll	12
11. Recommendation	13
12. Additional information	13
 Appendix I – Financial Information of the Group	
14-26	
 Appendix II – Unaudited Financial Information of the Property	
27-28	
 Appendix III – Unaudited Pro Forma Financial Information of the Group	
29-35	
 Appendix IV – Property Valuation of the Property	
36-42	
 Appendix V – General Information	
43-48	
 Notice of EGM	
49-50	

This circular in both English and Chinese is available in printed form and published on the respective websites of the Company at “<http://www.shunho.com.hk/shh/>” and Hong Kong Exchanges and Clearing Limited at “<http://www.hkexnews.hk>”. The English version will prevail in case of any inconsistency between the English and Chinese versions of this circular.

DEFINITIONS

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

“Acquisition”	the acquisition of the Property pursuant to the Purchase Agreement
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Brexit”	the UK leaving the European Union
“Closing”	the closing of the Acquisition pursuant to the terms and conditions of the Purchase Agreement
“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
“Consideration”	the consideration payable by the Purchaser for the purchase of the Property under the Purchase Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 25 August 2016 at 3rd Floor, Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong to approve the Purchase Agreement and transactions contemplated thereunder
“Final Payment”	GBP2,109,000 (equivalent to approximately HK\$21,933,600), representing the remaining balance of the total Consideration for the Acquisition
“Final Payment Date”	23 September 2016 or such earlier date as agreed between the Purchaser and the Vendor
“GBP” or “£”	British Pound(s), the lawful currency of the United Kingdom
“Group”	the Company and its subsidiaries

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	an independent third party(ies) which is not connected with the chief executive, directors and substantial shareholders of the Company or any of its respective subsidiaries and its respective associates
“Latest Practicable Date”	3 August 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MHI”	Magnificent Hotel Investments Limited 華大酒店投資有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Property”	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
“Purchaser”	King Express Development Limited, a direct wholly-owned subsidiary of MHI
“Purchase Agreement”	the purchase agreement dated 23 June 2016 between the Vendor and the Purchaser in relation to the Acquisition
“Share(s)”	share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“SHP”	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 company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Trillion Resources BVI”	Trillion Resources Limited, a company incorporated in British Virgin Islands with limited liability and controlled by Mr. William Cheng Kai Man who is the Chairman of the Board
“Trillion Resources (HK)”	Trillion Resources Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“Vendor”	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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“sq.ft.”	square feet
“%”	per cent.

In this circular, save as otherwise stated, figures in GBP are translated to HK\$ at the exchange rate of GBP1.0 = HK\$10.4 (being the median of the bank buy and bank sell rates for telegraphic transfer quoted by HSBC around noon time on 27 June 2016) for illustration purposes only. No representation is made that any amount in GBP could be converted at such rates or any other rates.

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 Directors:

Madam Mable LUI FUNG Mei Yee

Independent Non-executive Director:

Mr. Vincent KWOK Chi Sun

Mr. CHAN Kim Fai

Mr. HUI Kin Hing

8 August 2016

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
IN RELATION TO
THE ACQUISITION OF A PROPERTY IN LONDON
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

In the announcement dated 27 June 2016 and published on the same date, the boards of directors of the Company, MHI and SHP jointly announced that the Purchaser, a wholly-owned subsidiary of MHI, had on 23 June 2016 entered into the Purchase Agreement with the Vendor pursuant to which the Vendor agreed to sell and the Purchaser agreed to buy the Property for a consideration of GBP70,300,000 (equivalent to approximately HK\$731,120,000).

The Company, MHI and SHP are all listed on the Stock Exchange. The Company and its subsidiaries control approximately 62.02% of SHP, SHP in turn control approximately 71.09% of MHI.

LETTER FROM THE BOARD

Since one of applicable percentage ratios in respect of the Acquisition exceeds 100%, the Acquisition contemplated under the Purchase Agreement constitutes a very substantial acquisition for the Company under the Listing Rules. Pursuant to Rule 14.49 of the Listing Rules, the Acquisition has to be made conditional on the approval by the Shareholders in general meeting.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates including Trillion Resources BVI (which holds 154,006,125 Shares, representing approximately 50.60% of the total issued Shares of the Company) and its associates have any material interest in the Acquisition. Accordingly no Shareholders including Trillion Resources BVI is required to abstain from voting in the EGM on the resolutions approving the Acquisition. And Trillion Resources BVI has irrevocably undertaken to the Company that it will vote for the resolutions approving the Acquisition at the EGM.

The purpose of this circular is to provide you with further information of the Acquisition and other information in compliance with the requirements of the Listing Rules and to give you notice of the EGM at which an ordinary resolution will be proposed to seek your approval of the Purchase Agreement and transactions contemplated thereunder.

2. THE ACQUISITION

The Purchase Agreement

Date: 23 June 2016

Parties

Vendor: 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

(National Westminster Bank PLC is the trustee and depositary of Henderson UK Property PAIF and British Overseas Bank Nominees Limited and WGTC Nominees Limited are in turn trustees of National Westminster Bank PLC.)

Purchaser: King Express Development Limited, a direct wholly-owned subsidiary of MHI

LETTER FROM THE BOARD

Consideration: The Consideration for the Acquisition is GBP70,300,000 (equivalent to approximately HK\$731,120,000) payable in cash by the Purchaser in the following manner:

- (i) an initial deposit of GBP7,030,000 (equivalent to approximately HK\$73,112,000), representing 10% of the total consideration for the Acquisition, had been paid by the Purchaser to the Vendor's solicitors as stakeholder before the date of the Purchase Agreement;
- (ii) a further payment of GBP61,161,000 (equivalent to approximately HK\$636,074,400) was paid by the Purchaser to the Vendor's solicitors to receive on behalf of the Vendor on 7 July 2016; and
- (iii) the final payment sum of GBP2,109,000 (equivalent to approximately HK\$21,933,600), shall be made on the Final Payment Date upon Closing (which the parties intend to consummate within two days after the passing of the resolutions approving the Acquisition at the EGM, but not later than three months from the date of the Purchase Agreement).

The Consideration was determined after arm's length negotiation between the Purchaser and the Vendor after taking into account, among other factors, the prevailing market conditions in the United Kingdom, market prices of comparable properties in the district and the appraised value of £70,300,000 (equivalent to approximately HK\$731,120,000) of the Property as of the date of the Purchase Agreement valued by Allsop LLP, an independent professional valuer in the United Kingdom. After the poll results of the Brexit referendum of 23 June 2016, Allsop LLP have confirmed that their valuation on the Property remained £70,300,000 (equivalent to approximately HK\$731,120,000) as of 24 June 2016.

The Board considers that the terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Property: The Property is known as the "Travelodge Royal Scot Hotel" situate at 100 King's Cross Road, London, WC1X 9DT, United Kingdom.

LETTER FROM THE BOARD

Closing: The Closing shall be two (2) days after the passing of the resolutions approving the Acquisition at the EGM provided that the Closing shall in any event no later than three months from the date of the Purchase Agreement.

The parties to the Purchase Agreement acknowledge that the parent companies of the Purchaser (namely, the Company, SHP and MHI) are obliged to obtain respective shareholders' approvals of the Purchase Agreement and the transactions thereunder to comply with the relevant requirements under the Listing Rules.

Under the Purchase Agreement, the Purchaser undertakes to obtain such approvals before the Final Payment Date and in the event that the approvals are not obtained on or before the Final Payment Date the parties agree that:

- (a) the Final Payment shall be released to the Vendor in accordance with the Purchase Agreement; and
- (b) the Purchaser shall be entitled to novate the Purchase Agreement to an alternative entity approved by the Vendor acting reasonably and without delay and for the avoidance of doubt the Vendor shall be treated as acting reasonably in withholding consent to any entity which is listed on any sanctions lists.

The Acquisition is conducted in accordance with the normal conveyancing practice in the UK and the Purchase Agreement, which is governed by the UK law, adopts Part 1 of the Standard Commercial Property Conditions (Second Edition) in the UK.

One of the key features of the UK conveyancing practice and procedures, which the Acquisition follows and distinguishes from that of Hong Kong, is that proof of title to properties has been achieved upon signing of purchase agreements. As such it is common practice in the UK (and in the case of the Acquisition) that a large portion of consideration is paid upon signing of sale and purchase agreement. Most real estate transactions in the UK even see full-payment having been made upon signing of sale and purchase agreements. And at the time of signing the Purchase Agreement, the title to the Property had been proved to the Purchaser.

LETTER FROM THE BOARD

Pursuant to Rule 14.49 of the Listing Rule, the Acquisition must be made conditional upon approval by the Shareholders in general meeting. To comply with the Listing Rules, Closing of the Acquisition will only take place after such approval has been obtained from the Shareholders.

Since the management believes that this sizable hotel acquisition is in line with the growth strategy of the Group and the acquisition price is cheap for a large piece of freehold land in Central London. The Acquisition also allows the Group to enter into the London tourist market and to benefit from steady growing income and considerable development upside for expansions and redevelopment. It is beneficial to the Company and the Shareholders as a whole. Accordingly Trillion Resources BVI has irrevocably undertaken to vote in favour of the resolutions approving the Acquisition in the EGM.

With the irrevocable voting undertaking by Trillion Resources BVI (a company controlled by Mr. William Cheng Kai Man, Chairman of the Board and holding approximately 50.60% of the total issued shares of the Company), it is virtually certain that approval of the Acquisition by the Shareholders will be obtained. Further, despite a large portion of the Consideration has been paid before Closing, the interests of the Company are well protected with the novation arrangement mentioned above.

The only outstanding condition for the Closing of the Acquisition is approval by the Shareholders at the EGM to be held on 25 August 2016. The Closing of the Acquisition shall take place on the second day after the passing of the resolutions approving the Acquisition at the EGM.

3. INFORMATION ON THE PROPERTY

The Property comprises a 6-storey, 408-room hotel facility located at 100 King's Cross Road, London, WC1X 9DT, United Kingdom and commonly known as the "Travelodge Royal Scot Hotel". The ground lease is freehold. The Property is situated on a triangular island site bounded by King's Cross Road to the west, Great Percy Street to the south, Percy Circus to the east and Vernon Rise to the north. The floor areas of the Property calculated on a gross internal basis with the RCIS Code of Measuring Practice are approximately 133,532 sq.ft.. It is equipped with a restaurant and café and a car park providing approximately 40 car parking spaces. The acquisition cost is equivalent to GBP172,300 (equivalent to approximately HK\$1,791,920) per room and GBP526 (equivalent to approximately HK\$4,470) per sq.ft. gross internal basis. The management is confident that the total floor area of the Property can be further increased at a later stage through extensions and/or redevelopment.

Pursuant to title certificate no. NGL274145 the registered owner of the Property is British Overseas Bank Nominees Limited for and on behalf of National Westminster Bank PLC as trustees of the Henderson UK Property Unit Trust and WGTC Nominees Limited for and on behalf of National Westminster Bank PLC as trustees of the Henderson UK Property Unit Trust. The beneficial owner of the Property, held through the foregoing nominees and trustees, is the Henderson UK Property Unit Trust to which Henderson UK Property PAIF is an affiliated fund.

LETTER FROM THE BOARD

The Property is currently let to Travelodge Hotels Limited on an effectively full repairing and insuring lease for a term of 35 years from 22 June 2004 therefore expiring 21 June 2039. Under a full repairing and insuring lease, the costs of all repairs and insurance are borne by the tenant. Such kind of lease is the most common form of commercial property lease in the UK. The rent is to be reviewed every 5 years of the term, the first two of which were fixed uplifts (which have now all taken place) with the following reviews being Retail Price Index linked with no cap or collar. The next rent review is on 22 June 2019. The current rent is a fixed rent of GBP3,137,487 (equivalent to approximately HK\$32,629,865) per annum, which is not tied in with the performance of the tenant.

Travelodge Hotels Limited is a private limited company. Its principal activities include budget hotels under the Travelodge brand throughout the United Kingdom and under franchise in Ireland.



The Hotel occupies the entire triangular island site.

LETTER FROM THE BOARD

4. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board considers the Acquisition represents a good opportunity for the Group (through interests in SHP and MHI) to expand and diversify into property investment in the United Kingdom, one of the world's biggest tourist destinations. The purchase price of GBP172,300 (equivalent to approximately HK\$1,791,920) per room is relatively low in the Central London (zone 1) hotel market. The Board believes that the Acquisition represents a good opportunity for the Group to acquire a sizeable hotel in the Central London location at a relative low price at GBP526 (equivalent to approximately HK\$5,470) per sq.ft. gross internal basis. The Acquisition will enable the Group to be better benefited from a steady income stream and potential capital gain from the Property. The management is confident the total floor area and rooms can be further increased at a later stage through extensions and/or redevelopment thus offering significant upside potentials.

During the evaluation of the investment potentials and merits of the Acquisition, the management had envisaged the possibility of Brexit and its possible impact on the UK economy.

The management considers the outcome of Brexit, which has now been confirmed following the 23 June 2016 referendum, will have no adverse effect on the London tourism market. The Acquisition presents a long term investment opportunity to the Group at an attractive price. The steady income stream from the Property is insulated from any effects from the outcome of Brexit to the UK economy with the long lease term of the Property and upward rent review mechanism. Further, the GBP is experiencing a dramatic depreciation as a result of Brexit. The depreciated GBP is favourable news as far as the tourism in the UK is concerned. As the weaker GBP may attract more travellers to the UK and the accommodation providers will enjoy increasing demand of accommodation accordingly.

Since MHI is a 71.09%-owned subsidiary of SHP, which in turn is a 62.02%-owned subsidiary of the Company, both SHP and the Company will benefit from the Acquisition through its shareholdings in MHI. For the above reasons, the Boards are of the view that the Acquisition is in the best interests of the Company, MHI and SHP and the shareholders of MHI, SHP and the Shareholders as a whole.

5. FINANCIAL EFFECTS OF THE ACQUISITION

Earnings

After completion of the acquisition of the Property, rental income of the Property will become revenue of the Group and it is expected that the Group will record additional income on acquiring the Property. In addition, 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 liabilities of the Group as set out in Appendix III to this circular, assuming Closing had taken place on 1 January 2015, revenue of the Group would be increased from approximately HK\$561.8 million to approximately HK\$598.8 million, and the Group's profit after tax for the year 2015 would decrease from approximately HK\$208 million to approximately HK\$185.5 million.

LETTER FROM THE BOARD

Assets and liabilities

After completion of the Acquisition, the Property will be recognized as an investment property of the Group and will be subject to annual fair value assessment. The Acquisition has been and will be financed by internal resources and a term loan facility of GBP34,000,000 (equivalent to approximately HK\$353,600,000) of which GBP33,088,271 (equivalent to approximately HK\$344,118,000) has been drawn down to fund the further payment. The rest of the further payment, the initial deposit and the Final Payment was and will be financed by the Group's internal resources. Accordingly, the total assets and liabilities of the Group will be increased by an amount equal to the amount of utilized term loan.

Cash flow

Since the Consideration together with the incidental costs attributable to the Acquisition of the Property will be funded partially by internal cash resources, the Group's cash reserve will decrease accordingly.

6. INFORMATION ON THE COMPANY

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 SHP and MHI, including property investment and leasing and investment in and operation of hotels.

7. INFORMATION ON THE VENDOR

To the best knowledge and information of the Directors, the Vendor is Henderson UK Property PAIF (acting through British Oversea Bank Nominees Limited and WGTC Nominees limited in their capacity as nominees for and on behalf of National Westminster Bank PLC as depositary).

The Vendor is a property authorized investment fund established in the United Kingdom. The principal activities of the Vendor are primary investment in commercial property and property related assets and investments in money market instruments, derivatives and forward foreign exchange contracts.

To the best of the knowledge, information and belief of the Board, after making all reasonable enquiries, as at the date of the Purchase Agreement and as at the Latest Practicable Date, the Vendor and the ultimate beneficial owners of the Vendor are Independent Third Parties.

8. IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined under the Listing Rules) of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates including Trillion Resources BVI (which holds 154,006,125 Shares, representing approximately 50.60% of the total issued Shares) and its associates have any material interest in the Acquisition. Accordingly, no Shareholders including Trillion Resources BVI are required to abstain from voting in the EGM on the resolutions approving the Acquisition. And Trillion Resources BVI has irrevocably undertaken to the Company that it will vote for the resolutions approving the Acquisition at the EGM.

9. THE EGM

Set out on pages 49 to 50 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 25 August 2016 at 12:15 p.m. at which an ordinary resolution will be proposed and, if thought fit, passed to approve the Agreement and transactions contemplated thereunder.

Any Shareholder with a material interest in the Acquisition and his associates will abstain from voting on resolution approving the Acquisition. As at the Latest Practicable Date, no Shareholders are required to abstain from voting. All Shareholders will be entitled to vote on the resolution approving the 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 voting in person at the EGM if they so wish.

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.

LETTER FROM THE BOARD

11. RECOMMENDATION

The Board considers that the Acquisition is on normal commercial terms and that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders should vote in favour of the ordinary resolution which will be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

12. ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Shun Ho Holdings Limited

William CHENG Kai Man
Chairman

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2013, 2014 AND 2015

The audited consolidated financial statements of the Group (a) for the year ended 31 December 2013 are set out from page 20 to page 77 in the 2013 Annual Report of the Company, which was published on 19 February 2014; (b) 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; and (c) 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.

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:

2013 Annual Report

<http://www.shunho.com.hk/shh/documents/ar/e%20253%20AR2013%2020140428.pdf>

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>

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

As at the close of business on 30 June 2016, being the Latest Practicable Date for the purpose of preparing this statement of indebtedness prior to the printing of this Circular, the Group had the following outstanding bank and other borrowings:

- (i) unguaranteed and unsecured advance from Trillion Resources Limited amounting to approximately HK\$47.4 million;
- (ii) bank borrowings of approximately HK\$526.6 million which was guaranteed by group entity and secured by (a) fixed charges on certain of the Group's properties with an aggregate carrying amount of approximately HK\$4,691.0 million, (b) equity interests in certain subsidiaries, (c) subordination of loans due from certain subsidiaries with an aggregate carrying amount of approximately HK\$1,109.8 million and (d) assignment of the Group's rental and hotel revenue; and

- (iii) bank borrowings of approximately HK\$345.1 million which was unguaranteed and secured by fixed charges on certain of the Group's bank deposits with carrying amount of approximately HK\$446.3 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 30 June 2016 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 other material contingent liabilities.

3. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group through SHP and MHI are engaged into two main lines of business, namely, hotel operation and commercial properties investment.

For the three years ended 31 December 2015, the Group's income was primarily derived from income from operation of hotels and properties rental, which was analyzed below:–

	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from operation of hotels	582,935	529,287	435,821
Properties rental income	105,801	118,909	123,960
Dividend income	–	227	2,046
Other income	20,714	28,883	31,805
	<u> </u>	<u> </u>	<u> </u>
Total	<u>709,450</u>	<u>677,306</u>	<u>593,632</u>

Hotel Operation

MHI, the Company's indirect non wholly-owned subsidiary owns and operates seven hotels, namely, (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 which remained almost fully let despite the current hard industry operating environment. The average occupancy rate for each of the hotels of the Group in 2015 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 Occupancy	Avg Room Rate HK\$	Avg Room Occupancy	Avg Room Rate HK\$	Avg Room Occupancy	Avg Room Rate HK\$	Avg Room Occupancy	Avg Room Rate HK\$	Avg Room Occupancy	Avg Room Rate HK\$	Avg Room Occupancy	Avg Room Rate HK\$	Avg Room Occupancy	Avg Room Rate HK\$
2015														
Jan	98	865	98	722	99	756	98	734	98	603	N/A	N/A	66	312
Feb	99	905	99	736	99	839	99	802	99	657	N/A	N/A	67	333
Mar	97	781	98	681	98	676	95	720	96	565	N/A	N/A	82	359
Apr	94	758	98	624	96	629	96	660	99	567	N/A	N/A	92	381
May	100	605	99	546	99	540	99	513	100	486	N/A	N/A	88	371
Jun	99	610	99	537	99	525	99	515	100	467	N/A	N/A	81	354
Jul	99	633	98	545	99	585	99	519	100	467	N/A	N/A	93	383
Aug	99	707	99	586	99	651	98	610	100	479	19	433	95	398
Sep	100	701	98	565	99	594	97	565	99	466	77	540	89	374
Oct	99	926	99	778	99	820	98	842	99	706	98	706	92	400
Nov	100	864	99	732	99	787	99	780	100	635	100	686	87	364
Dec	100	887	99	713	99	810	99	699	100	607	99	640	80	333
Avg/yr	99	769	98	647	99	684	98	662	99	558	89	646	84	366
2015 Total	HK\$60,093,000		HK\$78,052,000		HK\$103,996,000		HK\$63,406,000		HK\$91,792,000		HK\$16,229,000		HK\$22,253,000	
Other Income	HK\$4,119,000		HK\$2,520,000		N/A		N/A		N/A		N/A		N/A	
Total Income	HK\$64,212,000		HK\$80,572,000		HK\$103,996,000		HK\$63,406,000		HK\$91,792,000		HK\$16,229,000		HK\$22,253,000	
Annual expense	HK\$(33,436,000)		HK\$(46,861,000)		HK\$(46,755,000)		HK\$(34,226,000)		HK\$(47,329,000)		HK\$(8,702,000)		HK\$(15,737,000)	
EBITDA	HK\$30,776,000		HK\$33,711,000		HK\$57,241,000		HK\$29,180,000		HK\$44,463,000		HK\$7,527,000		HK\$6,516,000	
EBITDA Margin (Based on Revenue)	48%		42%		55%		46%		48%		46%		29%	

- Average occupancy rate in the Group's Hong Kong hotels was 98.43%.
- The Group's overall hotel revenue dropped by 18%.

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.

Looking ahead, the hotel industry will continue to suffer a decline of overnight visitors, less spending power, increase of supply of new hotel rooms, competing room rate and occupancy. This situation is probably due to China experiencing low economic cycle which is the Group's largest visitors segment (70%). Short term prospects remain pessimistic. Therefore, hotel revenue this year may suffer further decline. Because of the dropping trend of hotel revenue, the management must replenish or increase overall revenue by acquisition of

hotel income producing properties. The management continues to seek good opportunities to further increase operating profit by the acquisition of hotel properties or serviced apartment hotel, if successfully acquired will be financed by internal cash resources and bank lending.

Commercial Property Investment

The Group's current portfolio of commercial properties comprise the office buildings of Shun Ho Tower, the 633 King's Road Property 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\$124 million in 2015. The rental incomes for the Group's commercial properties are analyzed as follows:

	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	Change
633 King's Road	89,404	95,471	+7%
Shun Ho Tower	20,461	21,850	+7%
Shop	9,044	6,639	-27%
	<u>118,909</u>	<u>123,960</u>	
Total	<u>118,909</u>	<u>123,960</u>	+4%

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 shops rental was due to disposal of Macau hotel including shop and the expiry of the tenancy of the basement at 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 endeavor 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.

4. WORKING CAPITAL

After taking into account the expected completion of the Acquisition and the financial resources available to the Group including the present available banking facilities, the advance from Trillion Resources Limited and internal resources of the Group, the Directors are of the opinion that the Group will have sufficient working capital for its normal business and for at least the next 12 months from the date of this circular in the absence of unforeseeable circumstances.

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 2013, 2014 and 2015. The information set out below is principally extracted from the annual reports of the Company for the three years ended 31 December 2013, 2014 and 2015 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 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 31st 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 MHI 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 31st 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 hotels 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, SHP, on 17th July, 2015, a group reorganisation resulted in SHP 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 SHP.

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. MHI will continue its business of hotel operations and will seek to acquire more hotel incomes by acquisition of hotel properties or serviced apartment hotels. SHP 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.

For the year ended 31 December 2013

During the year under review, the Group through its major subsidiary, MHI, continued with its operations of property investments, property developments and operation of hotels.

The audited consolidated profit of the Group for the year ended 31 December 2013 attributable to owners of the Company amounted to HK\$229,683,000 (2012: HK\$197,326,000), increased by 16%.

For the year ended 31 December 2013, the Group's income increased by 32% to 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 Hotel Causeway Bay, Best Western Hotel Harbour View, Best Western Grand Hotel, Magnificent International Hotel, Shanghai and Best Western Hotel Taipa, Macau (the disposal of which will be completed on 20 March 2014) increased by 39% to HK\$583 million (2012: HK\$420 million) due to the full year operation of Best Western Hotel Harbour View and Best Western Grand Hotel.

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 Hotel Taipa, Macau and Best Western Grand Hotel amounted to HK\$106 million (2012: HK\$100 million).

For the year under review, the Group disposed of a wholly-owned subsidiary which holds the houses at Gold Coast, New Territories for the consideration of HK\$63 million and a gain of HK\$40 million is attributable to 2013. The disposal was completed on 10 January 2013. On 20 December 2013, the Group entered into an agreement with an independent third party to dispose of subsidiaries holding interest in Best Western Hotel Taipa, Macau at the consideration of HK\$900 million, the disposal was completed on 20 March 2014. The disposal will result in a reportable earning of approximately HK\$620 million for the first half of 2014.

Other income amounted to HK\$21 million (2012: HK\$17 million) which was mostly property management fee income of HK\$16 million (2012: HK\$16 million) with related expenses of HK\$15 million (2012: HK\$14.5 million).

Overall service costs for the Group for the year was HK\$232.0 million (2012: HK\$157.8 million), of which HK\$231.4 million (2012: HK\$157.5 million) was for the hotel operations including food and beverage and costs of sales and HK\$0.6 million (2012: HK\$0.3 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 three years of the rental period. The increase of hotel operation costs was mainly due to the full year operation of Best Western Hotel Harbour View and Best Western Grand Hotel.

During the year, the administrative expenses excluding depreciation was HK\$30 million (2012: HK\$24 million) for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

Other expenses were HK\$15.0 million (2012: HK\$21.8 million). The decrease of HK\$6.8 million was mainly due to no pre-operating expenses were incurred during the year (2012: the pre-operating expense of Best Western Hotel Harbour View and Best Western Grand Hotel amounted to HK\$7.4 million). The property management expenses amounted to HK\$15.0 million (2012: HK\$14.5 million). The property management expenses were increased by HK\$0.5 million due to the increase of cost of staff and utilities while the management fee remained unchanged.

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 Hotel Taipa, Macau and new shops in Best Western Grand Hotel remained almost fully let. It is expected that the rental revenue from these properties will have modest increase in 2014.

As at the date of 2013 results announcement, the leasing of the grade A office building at 633 King's Road achieved rental income of HK\$80 million (excluding rates and management fee incomes) per annum. The management envisages the office building will have modest rental increase in 2014 as most leases are due for renewal.

The management will try the best endeavour to complete the construction of the new hotel to increase future earnings base and value for the Group. In respect of the No. 338 Queen's Road West hotel development, a 214-room service apartments hotel development was approved to be built. Approval has been obtained to increase the plot ratio from 12 to 13.2 with no premium payment required. Superstructure construction has commenced with completion expected in 2014. The connection of the Western MTR Line will improve future value and business of this property significantly.

Looking ahead, the management expects 2014 will be an outstanding improved year for the Group's hotel operation. The hotels occupancy remain high because of the increasing leisure traveling from the PRC and their further visa relaxation and devaluation of Hong Kong dollar against Renminbi. The improving hotel business will help to increase the Group's overall turnover. The management is most excited with the connection of the MTR Western line in 2014 which will significantly benefit our three hotels with about 1,000 rooms in terms of occupancies, room rates and hotel values. The HK\$900 million sales proceed from the disposal of the Macau subsidiary will be advantageous to future acquisition of hotel or commercial property assets to further increase the Group's income and value. The rental incomes of the commercial buildings and shops are expected to enjoy modest increase. The low interest rate environment, weakness Hong Kong dollar and inflation back the demand in the local property market that benefits the Group's property portfolio especially the office buildings in Central and North Point. The management will take best advantage of the improving rental incomes of

the commercial buildings and shops, growth of the hotels revenue, low interest rate environment, competitive Hong Kong dollar and inflation in order to continue to reduce overall debts and also to identify undervalued property asset acquisition with the aim to enhance the Group's incomes and values. The Company is also considering other local property investments, if successfully acquired will be financed by additional capital and bank lending.

Cash position

The Group had cash and bank balances of approximately HK\$257 million as at 30 June 2016. The Group had cash and bank balances of approximately HK\$316 million, HK\$1,166 million and HK\$1,065 million as at 31 December 2013, 2014 and 2015, respectively.

Gearing ratio

The gearing ratio was approximately 14% in term of overall debt including bank loans and shareholders' loan of HK\$730 million against funds employed of the Group of HK\$5,129 million as at 31 December 2013.

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.

Borrowings

All the Group's bank loans as at 31 December 2013, 2014 and 2015 are floating rate borrowings, which carry interests at HIBOR plus a margin. The bank loans are secured over certain of the Group's properties. Interest rates on the Group's bank loans are repriced according to the HIBOR monthly. The Group's bank borrowings were mainly denominated in Hong Kong dollar. No financial instruments were used by the Group for hedging purposes during three years and six months from 1 January 2013 to 30 June 2016.

Pledge of assets

For the three years ended 31 December 2013, 2014 and 2015, 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		
	2013	2014	2015
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Investment properties	2,272	2,280	2,280
Properties under development	263	383	–
Property, plant and equipment	2,070	2,024	2,367
Shares in and subordination of loans due from certain subsidiaries	1,294	1,171	1,129

As at 31 December 2013, 2014, and 2015, the Group pledged assets to secure bank loan in the aggregate amounts of approximately HK\$676 million, HK\$622 million and HK\$560 million, respectively.

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

	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank loans	<u>676,325</u>	<u>621,733</u>	<u>559,815</u>
Carrying amounts of bank loans that contain a repayment on demand clause:			
Repayable within one year from the end of the reporting period shown under current liabilities	284,592	287,432	196,558
Not repayable within one year from the end of the reporting period shown under current liabilities	<u>391,733</u>	<u>334,301</u>	<u>363,257</u>
Amounts shown under current liabilities	<u>676,325</u>	<u>621,733</u>	<u>559,815</u>
Interest rate (per annum)	HIBOR+2%	HIBOR+1.5%	HIBOR+1.5%
Effective interest rate (per annum)	2.1%	1.6%	1.6%

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

CONTINGENT LIABILITIES

As at 31 December 2013, 2014, 2015 and 30 June 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 2013, 31 December 2014, 31 December 2015 and the period ended 30 June 2016 respectively.

EXCHANGE RISK

The Group's bank borrowings as at 31 December 2013, 2014 and 2015 carry interest at floating rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal.

STAFF AND REMUNERATION POLICY

For the year ended 31 December 2013, 2014 and 2015, the numbers of the staff of the Group were 660, 660 and 720, respectively and the staff remuneration was HK\$146 million, HK\$151 million and HK\$167 million, respectively. The Group's remuneration policy is built on principle of equality, motivating, performance oriented and market-competitive remuneration package to employees. MHI, 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

On 20 December 2013, Houston Venture Group entered into an agreement with an independent third party for the disposal of Houston Venture Group's entire equity interest in Himson Enterprises Limited ("**Himson**") and Longham Investment Limited ("**Longham**"), the wholly-owned subsidiaries of Houston Venture Group incorporated in the BVI, together with shareholder's loans of Himson and Longham due to the Houston Venture Group for an aggregate consideration of HK\$900,000,000 (the "**Disposal**"). Himson and Longham hold 70% and 30% interests in Grand-Invest & Development Company Limited ("**Grand Invest**"), a company incorporated in Macau, respectively whose principal activities are property investment and operation of Best Western Hotel Taipa, Macau. The Disposal was completed in 2014 and Houston Venture Group recorded a gain on disposal of approximately HK\$620.5 million.

On 25 March 2015, SHP as purchaser entered into a sale and purchase agreement (as supplemented by a supplemental agreement dated 13 April 2015) with MHI 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 MHI (the “**MHI Acquisition**”) for a consideration of HK\$2,413,053,000 which was satisfied by issue of share entitlement notes by SHP to MHI. Upon completion of the MHI Acquisition, the Acquired Subsidiaries ceased to be subsidiaries of MHI but will remain the subsidiaries of SHP 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 MHI Acquisition are set out in the circular issued by the Company dated 28 May 2015. The MHI Acquisition was completed in July 2015.

Apart from the Disposal and the MHI Acquisition, the Group did not have any material acquisition or disposals of subsidiaries and associated companies during the three years ended 31 December 2015.

PROFIT AND LOSS STATEMENT OF THE PROPERTY

Pursuant to Rule 14.69(4)(b)(i) of the Listing Rules, a profit and loss statement for the three preceding financial years on the identifiable income stream (“**Profit and Loss Statement**”) in relation to the Property, which must be reviewed by the reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records, is required to be included in this circular.

The Company is unable to gain access to the underlying books and records or other information of the Vendor in respect of the Property for the preparation of a Profit and Loss Statement in respect of the Property in order to comply with the requirement under Rule 14.69(4)(b)(i) of the Listing Rules. The Vendor is a property authorized investment fund and its financial information regarding the Property is not in the public domain.

The Company therefore applied for, and was granted by the Stock Exchange, a waiver from strict compliance with Rule 14.69(4)(b)(i) of the Listing Rules. The unaudited financial information of the Property for each of the three years ended 31 December 2013, 2014 and 2015 and the period from 1 January 2016 to 21 June 2016 (“**Relevant Financial Period**”) as set out in this appendix has been prepared by the Directors based on a review of the lease agreement in respect of the Property (the “**Lease Agreement**”) provided to the Company by the Vendor and may not give a true and complete picture of the performance of the Property during the Relevant Financial Period.

The Property is currently let to Travelodge Hotels Limited on an effectively full repairing and insuring lease for a term of 35 years from 22 June 2004 therefore expiring 21 June 2039. The rent is to be reviewed every 5 years of the term, the first two of which were fixed uplifts (which have now all taken place) with the following reviews being Retail Price Index linked with no cap or collar. The last rent review was made on 22 June 2014 and the next rent review is on 22 June 2019. The current rent is GBP3,137,487 per annum.

Based solely on the Lease Agreement, the gross rental income of the Property during the Relevant Financial Period is set out below:

	For the year ended 31 December			For the period from 1 January 2016 to 21 June 2016
	2013	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 1)</i>	<i>(Note 1)</i>	<i>(Note 1)</i>	<i>(Note 1)</i>
Gross rental income	28,840	30,844	32,630	15,423 <i>(Note 2)</i>

Note 1: Based on the exchange rate of £1 = HK\$10.4, being the median of bank buy and bank sell rates for telegraphic transfer quoted by the Hong Kong and Shanghai Banking Corporation Limited around noon time on 27 June 2016, for reference purposes only.

Note 2: Being pro-rata rental income based on the Lease Agreement.

Note 3: The Purchaser is subject to the British corporate tax rate of 20% in relation to profit arising from the leasing of the Property.

Pursuant to the Lease Agreement, the tenant is responsible for insurance, value-added tax, maintenance and repair, all rates, taxes, assessments, duties, charges, impositions and other outgoings of any type charged, assessed or imposed on or in respect of the Property or its owner or occupier at any time (including any of a capital or non-recurring nature), all utilities (data transmission, drainage, electricity, energy of any other type, gas, telephone, water and all other services) should be borne or would be reimbursed by the tenant. As such, such expenses have not been included in the financial information of the Property set out in this appendix. The Purchaser is responsible for any tax payable in respect of rent and other payments under the Lease Agreement other than value-added tax.

In accordance with the Listing Rules, the Company has engaged Deloitte Touche Tohmatsu, the auditor of the Company, to perform certain factual finding procedures on the compilation of the gross rental income of the Property in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The auditor has agreed the gross rental income to certain information set out in the Lease Agreement in accordance with the agreed-upon procedures set out in the relevant engagement letter between the Company and the auditor and reported its factual findings based on the agreed-upon procedures to the Directors. Pursuant to the terms of the relevant engagement letter between the Company and the auditor, the reported factual findings should not be used or relied upon by any other parties for any purposes.

In the opinion of the Directors, the gross rental income has been properly compiled and derived from certain information set out in the Lease Agreement. Having taken into account the above disclosure of financial information of the Property, the Directors consider the omission of a profit and loss statement for the Property’s net income stream for the Relevant Financial Period would not render this circular materially incomplete, misleading or deceptive.

The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, Hong Kong Standards on Assurance Engagements or Hong Kong Standards on Investment Circular Reporting Engagements issued by the HKICPA and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on the unaudited financial information of the Property.

VALUATION OF THE PROPERTY

No valuation of the Property for each of the financial year and period ends during the Relevant Financial Period has been disclosed herein as the Company is not able to obtain any valuation reports from the Vendor.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE 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 acquisition of a property in London (the “Property”) (the acquisition of the Property referred to as the “Acquisition”) as defined in the Circular, had been completed on 31 December 2015 or 1 January 2015, as appropriate.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose 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 31 December 2015 or at any future date.

The Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Rules Governing the Listing 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 31 December 2015 or 1 January 2015.

The unaudited pro forma financial information is prepared based on the audited consolidated statement of profit or loss of the Group for year ended 31 December 2015 and the audit consolidated statement of financial position of the Group as at 31 December 2015 extracted from the published annual report of the Group for the year ended 31 December 2015, 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 2015 or 31 December 2015, as appropriate.

The unaudited pro forma financial information of the Group after Acquisition 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 Property 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 2015**

	The Group		Pro forma adjustments		The Group after Acquisition
	<i>HK\$'000</i> (<i>Note 1</i>)	<i>HK\$'000</i> (<i>Note 3</i>)	<i>HK\$'000</i> (<i>Note 4</i>)		<i>HK\$'000</i>
Revenue	561,827		36,975		598,802
Cost of sales	(4,296)				(4,296)
Other service costs	(230,190)				(230,190)
Depreciation of property, plant and equipment and Release of prepaid lease payments for land	(70,862)				(70,862)
Gross profit	256,479				293,454
Increase (decrease) in fair value of investment properties	28,587		(51,206)		(22,619)
Other income and gains	31,805				31,805
Administrative expenses					
– Depreciation	(5,347)				(5,347)
– Others	(34,205)	(930)			(35,135)
	(39,552)				(40,482)
Other expenses	(20,246)				(20,246)
Finance costs	(10,405)				(10,405)
Profit before taxation	246,668				231,507
Income tax expense	(38,625)		(7,395)		(46,020)
Profit for the year	208,043				185,487

**C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND
LIABILITIES
AT 31 DECEMBER 2015**

	The Group <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma adjustments <i>HK\$'000</i> <i>HK\$'000</i> <i>(Note 2)</i> <i>(Note 3)</i>		The Group after Acquisition <i>HK\$'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	2,849,408			2,849,408
Prepaid lease payments for land	30,765			30,765
Investment properties	3,011,800	807,396		3,819,196
Properties under development	102,981			102,981
Available-for-sale investments	135,192			135,192
	<u>6,130,146</u>			<u>6,937,542</u>
CURRENT ASSETS				
Inventories	946			946
Prepaid lease payments for land	852			852
Trade and other receivables	21,128			21,128
Other deposits and prepayments	9,475			9,475
Bank balances and cash	1,065,431	(856,060)	(930)	208,441
	<u>1,097,832</u>			<u>240,842</u>
CURRENT LIABILITIES				
Trade and other payables and accruals	35,037			35,037
Rental and other deposits received	26,858			26,858
Advance from ultimate holding company	46,428			46,428
Tax liabilities	6,512			6,512
Bank loans	559,815			559,815
	<u>674,650</u>			<u>674,650</u>
NET CURRENT ASSETS (LIABILITIES)	<u>423,182</u>			<u>(433,808)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>6,553,328</u>			<u>6,503,734</u>
NON-CURRENT LIABILITIES				
Rental deposits received	26,316			26,316
Deferred tax liabilities	154,287			154,287
	<u>180,603</u>			<u>180,603</u>
	<u>6,372,725</u>			<u>6,323,131</u>

D. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2015

1. The audited consolidated statement of profit or loss for the year ended 31 December 2015 and the audited consolidated statement of assets and liabilities as at 31 December 2015 were extracted from the published annual report of the Group for the year ended 31 December 2015.
2. The adjustment is to reflect (i) the Acquisition at a fixed purchase price of GBP70,300,000 determined on the basis as set out on page 6 to this Circular (equivalent to approximately HK\$807,396,000 with reference to the exchange rate as at 31 December 2015) and (ii) the incidental costs amounting to HK\$48,664,000, which are directly attributable costs of the Acquisition, including stamp duty of GBP3,504,500 (equivalent to approximately HK\$40,249,000 with reference to the exchange rate as at 31 December 2015) and legal and professional fee of GBP732,660 (equivalent to approximately HK\$8,415,000 with reference to the exchange rate as at 31 December 2015). The estimated total acquisition cost is GBP74,537,160 (equivalent to approximately HK\$856,060,000 with reference to the exchange rate as at 31 December 2015).

The Group intends to finance the Acquisition through internal resources and obtained new financing through a term loan facility of GBP34,000,000 (equivalent to approximately HK\$390,490,000 with reference to the exchange rate as at 31 December 2015) (the "Term Loan Facility"). As at the date of this circular, part of the Term Loan Facility amounting to GBP33,088,271 (equivalent to approximately HK\$380,019,000 with reference to the exchange rate as at 31 December 2015) was drawn down.

3. The adjustment represents the estimated administrative expense of HK\$930,000 which is charged to profit or loss. This adjustment has no continuing effect.
4. 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 value of the Property as at 1 January 2015 and 31 December 2015 were GBP70,300,000, which was the purchase price of the Property as if the Acquisition had been completed on 1 January 2015 or 31 December 2015. Accordingly, fair value adjustment amounting to GBP4,237,160 (equivalent to approximately HK\$51,206,000 with reference to the exchange rate as at 1 January 2015), 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 2015.

The Property is currently let to Travelodge Hotels Limited on an effectively full repairing and insuring lease for a term of 35 years from 22 June 2004 therefore expiring 21 June 2039. The rent is to be reviewed every five years of the term, the first two of which were fixed uplifts (which have now all taken place) with the following reviews being Retail Price Index linked with no cap or collar. The next rent review is on 22 June 2019. The current rental income is GBP3,137,487 (equivalent to approximately HK\$36,975,000 with reference to the average exchange rate in 2015) is recognized in profit or loss.

Income tax expense amounting to HK\$7,395,000 is recognised in relation to profit arising from the leasing of the Property based on the United Kingdom corporate tax rate of 20% for the year ended 31 December 2015.

The adjustments in note 4 have continuing effect.

5. No adjustment have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2015.
6. For the purpose of the unaudited pro forma adjustments in this Unaudited Pro Forma Financial Information, the exchange rates of GBP1 to HK\$12.085, GBP1 to HK\$11.785 and GBP1 to HK\$11.485 have been applied as at 1 January 2015, average rate in 2015 and 31 December 2015 respectively.

**E. ACCOUNTANTS' REPORT FROM THE REPORTING ACCOUNTANTS ON
UNAUDITED PROFORMA FINANCIAL INFORMATION**

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accounts, Hong Kong prepares for the purpose of incorporation in this circular, in respect of pro forma financial information of the Group.

Deloitte.
德勤

**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 assets and liabilities as at 31 December 2015 and the unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2015 and related notes as set out on pages 29 to 32 of the circular issued by the Company dated 8 August 2016 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page 29 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of a property in London (the "Acquisition") on the Group's financial position as at 31 December 2015 and the Group's financial performance for the year ended 31 December 2015 as if the Acquisition had taken place at 31 December 2015 and 1 January 2015 respectively. As part of this process, information about the Group's financial position and financial performance has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2015, 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 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 2015 or 1 January 2015 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, 8 August 2016

The following is the text of a letter, and valuation certificate, prepared for the purpose of incorporation in this circular received from Allsop LLP, an independent valuer, in connection with its valuation as at 24 June 2016 of the Property to be acquired by Shun Ho Holdings Limited.

8 August 2016

The Directors
King Express Development Limited
3rd Floor, Shun Ho Tower
24-30 Ice House Street
Central
Hong Kong



Dear Sirs

100 KING'S CROSS ROAD, LONDON WC1X 9DT ("THE PROPERTY")

In accordance with instructions received from the Directors of King Express Development Limited ("the Company"), the freehold interest in the above hotel investment property has been valued as at 24 June 2016 for purchase purposes.

Allsop LLP is acting on your behalf in the acquisition of the property. We are of the opinion that we are acting as external valuers in accordance with the RICS Valuation – Professional Standards – Global and UK Edition, 2014. We confirm that the valuer has the knowledge, skills and understanding to undertake this valuation competently.

The valuation of the Property represents its market value which in accordance with the RICS Valuation – Professional Standards – Global and UK Edition, 2014 is defined as "the estimated amount for which an asset or liability should exchange on the valuation proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion". The freehold interest has been valued subject to and with the benefit of any lettings which have been disclosed. No allowance has been made for expenses incurred in sale nor for taxation that may arise in the event of a disposal, deemed or otherwise, although valuations are net of a purchaser's costs. Estimates of rental or capital value exclude any VAT that may be applicable. Our opinion of value is stated in £Sterling.

We have relied upon information provided in the dataroom in respect of the tenure and occupational tenancy of the property and the Report on Title prepared by Proskauer, dated 22 June 2016. For the purpose of this valuation details of tenure, tenancies, planning, statutory notices, floor areas and other relevant information supplied by the Company or its advisors have been accepted as correct. The property has been valued on this basis and the understanding that there are no undisclosed matters that would affect the valuation. It is assumed, unless otherwise advised, that the title deeds and leases do not contain any unusual or onerous restrictions, covenants or other encumbrances which would affect the value of the property.

Save as otherwise disclosed, it has been assumed for the purposes of valuation, that the relevant interest in the property is free of mortgage, charge or other debt security and no deduction has been made for such charge or debt.

We have made internet enquiries of the planning department of the London Borough of Islington with regard to the existence of any planning consents over the property. We have assumed for the purposes of our valuation that the subject property benefits from all required, valid planning consents in respect of its current C1 Hotel use. There have been no recent planning applications on the subject property, the most recent being in November 2010 for the 'Replacement to all existing bedroom windows within courtyard area'. This application was approved with conditions. The Property is not Listed nor is it in a Conservation Area. The Local Planning Authority has been unable to tell us of any development proposals in the immediate vicinity which would have a material effect on the value of the subject property.

No planning consents have been inspected save those disclosed by the Company, and it is assumed that the property was erected, is occupied and used in accordance with all requisite consents and that there are no statutory requirements or notices outstanding. Where planning enquiries have been instituted information supplied by planning officers has been given without liability on their part and accordingly responsibility for this information cannot be accepted.

We have had regard to a Building Survey Report on the subject property undertaken by Knight Frank LLP and dated 12 June 2016. The report states that Knight Frank LLP has reviewed a Refurbishment and Demolition survey dated March 2011 (relating to proposed fifth floor works only) which confirmed asbestos insulating boards below window cills and behind radiators; Knight Frank LLP has seen documentation (1996) relating to the removal of AIB's behind heaters below windows to selected rooms at second floor level.

Our external inspection of the Property was conducted from ground floor level only, and we were unable to gain access to the roof. Internally only the exposed and accessible surface fabric was viewed without any removal of fittings, floor coverings, storage racks or stock. We were able to gain access to a selection of rooms within the building. It is assumed that those areas to which we were unable to gain access would not reveal any material defects or cause us to materially alter our valuation figure.

However, we did not carry out a building survey, nor have we inspected those parts of the Property which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this Report should not be taken as making any implied representation or statement about such parts. We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of this property, or has since been incorporated, as a result of construction work or as a result of any substance on the property or brought on the property or any process carried on or otherwise howsoever and we are therefore unable to report that the property is free from risk in this respect. For the purpose of this valuation we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

The property has been valued on the assumption that no known deleterious materials (with the exception of the asbestos mentioned) or techniques have been used in the construction of the building and that the ground is not susceptible to subsidence, shrinkage or any other similar hazard. No responsibility is accepted for any existing defects nor for those which may arise in the future.

We have been informed by the Company that the Company has established procedures for the inspection of the subject property to be carried out with particular reference to environmental matters, and that any such matters identified receive appropriate attention. We have not been provided with information to the contrary, and have assumed that the property is not, nor is likely to be, affected by land contamination and that there are no ground conditions which would affect the present or future use of the property. Where we have received evidence from the Company regarding contamination, we have reflected this in our valuation but, unless otherwise stated, have assumed that the cost of any decontamination work would be immaterial thereto.

The scope of our report does not extend to advice in relation to problems that may arise due to the failure of computerised service systems. In particular, we have not arranged for any investigations to be carried out to determine whether or not all equipment, plant and machinery and services which form part of or are contained within the property which forms the subject matter of the valuation and all equipment, plant and machinery and services of suppliers or other third parties which may impact upon the property meet current requirements/standards. We are therefore unable to report that the equipment, plant and machinery and services referred to above comply with all relevant standards and requirements. For the purposes of our valuation therefore, we have assumed that the value of the property will not be adversely affected by any problems with computerised equipment, plant or machinery which does not meet the relevant standards or requirements. Should it be established subsequently that the property may be affected by problems with computerised equipment plant or other services, this may reduce the value reported below.

We have assumed that if Energy Performance Certificates are required these are in place.

Valuation Certainty following the EU Referendum

Following the Referendum held on 23 June 2016 concerning the UK's membership of the EU, a decision was taken to exit. We are now in a period of uncertainty in relation to many factors that impact the property investment and letting markets.

Since the Referendum date it has not been possible to gauge the effect of this decision by reference to transactions in the market place.

The probability of our opinion of value coinciding with the price achieved, were there to be a sale, has reduced. We would, therefore, recommend that the valuation is kept under regular review and that specific market advice is obtained should you wish to effect a disposal.

Having regard to the foregoing, it is considered that the Market Value (the definition of which is attached hereto) of the freehold interest in the property as at 24 June 2016 subject to and with the benefit of the tenancies currently subsisting as attached, is:-

£70,300,000

(Seventy Million, three hundred thousand pounds)

Please note, the property is held freehold, however, there are various protrusions which overhang the public roadway or adjoining highway at the property, most notably the canopy, however we understand that indemnity insurance is to be put in place and our valuation assumes this will be to full market value.

We have valued the Property by making reference to comparable sale transactions as available in the market.

It is confirmed that the valuation has been carried out by a valuer who is qualified for the purposes required and the property was inspected internally on 8 June 2016 by Victoria Turner MSc MRICS and Susannah Summers MRICS.

This Short Format Valuation Report is provided for the stated purpose and for the sole use of the named client. It is confidential to the client and its professional advisers and the valuer accepts no responsibility whatsoever to any other person.

Where Allsop is responsible for providing advice and/or services to you then, to the fullest extent permitted by law and regulation, no individual who is a member or employee of, or consultant to, Allsop accepts or assumes responsibility to you or to anyone for advice and services provided to you, whether or not the individual is described as a “partner”. You agree (to the extent such agreement is enforceable under applicable laws and regulations) that you will not bring any claim in connection with any advice and/or services provided to you, whether on the basis of contract, tort (including, without limitation, negligence), breach of statutory duty or otherwise, against any member or employee of, or consultant to, Allsop but this will not limit or exclude the liability of Allsop itself for the acts or omissions of its members, employees or consultants.

Neither the whole nor any part of this Short Format Valuation Report or any reference hereto may be included in any published document, circular or statement or published in any way without the valuer’s written approval of the form and context in which it may appear.

The property has been inspected and this Short Format Valuation Report prepared by Victoria Turner MSc MRICS (RICS no. 0853544) (Partner). The Short Format Valuation Report has been approved by Edward Dunningham BSc (Hons) MRICS (RICS no. 0085633) (Commercial Managing Partner).

Yours faithfully

EDWARD DUNNINGHAM

BSC (HONS) MRICS (RICS no. 0085633)

Commercial Managing Partner

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**RICS Valuation
Professional Standards January 2014
Global and UK edition**

MARKET VALUE

Market Value (MV)

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.

VALUATION CERTIFICATE

PROPERTY	DESCRIPTION, AGE AND TENURE	TERMS OF EXISTING TENANCIES	NET ANNUAL RENTS RECEIVABLE	MARKET VALUE
100 King's Cross Road London WC1X 9DT	<p>Held freehold. However, there are various protrusions which overhang the public roadway or adjoining highway at the property, most notably the canopy, however we understand that indemnity insurance is to be put in place and our valuation assumes this will be to full market value.</p> <p>The property comprises a 1970's building arranged over basement to sixth floors. It comprises a triangular shaped building situated on an island site with a central courtyard. The property is currently used as a hotel providing 408 bedrooms. The west block is arranged over basement, ground and six upper levels whilst the other wings are on a reduced number of floors due to the sloping nature of the site (upwards towards Percy Circus). The property is of reinforced concrete frame construction with principally brickwork elevations beneath an unseen assumed flat roof. The windows are single glazed although secondary glazing is in place.</p> <p>The property is triangular shaped with an uncovered void area in the middle that is currently used for car parking providing approximately 40 spaces. There is also a rear access to the reception space from this area.</p> <p>Due to the triangular island nature of the site there is the potential to redevelop the site in its entirety should the opportunity arise.</p> <p>GIA: 12,405.3 sqm (133,532 sft) (basement floor areas are estimates)</p> <p>The Property is to be held for investment by the Company through the Purchaser.</p> <p>The registered owner of the Property is British Overseas Bank Nominees Limited for and on behalf of National Westminster Bank plc as trustees of the Henderson UK Property Unit Trust and WGTC Nominees Limited for and on behalf of National Westminster Bank plc as trustees of the Henderson UK Property Unit Trust.</p>	<p>The property is currently let to Travelodge Hotels Limited on an effectively full repairing and insuring lease for a term of 35 years from 22 June 2004 therefore expiring 21 June 2039. The rent is to be reviewed every 5 years of the term, the first two of which were fixed uplifts (that have now taken place) with the following reviews being RPI linked with no cap or collar. The next rent review is on 22 June 2019. The current rent is £3,137,487 pa.</p> <p>The lease provides for a tenants option to renew. The rent is to be calculated as per the current lease on an upwards only basis being the higher of the passing rent or RPI linked with no cap or collar. If the tenant wishes to renew and gives the landlord at least 6 months notice before the expiry date, a new 15 year lease can be granted on lease expiry (21 June 2039) with rent reviews in the 5th and 10th years.</p> <p>An option agreement dated 4 February 2013 details that the Landlord can require the tenant to take a reversionary lease for a further 9 years, with 5 yearly rent reviews calculated as per the existing lease. The rent is to be calculated as per the current lease on an upwards only basis being the higher of the passing rent or RPI linked with no cap or collar. The option period starts 18 months prior to lease expiry (December 2037) and ends at 5pm on the day before 12 months prior to lease expiry (20 June 2038). Therefore, the landlord has a 6 month period to serve notice.</p>	£3,137,487	£70,300,000

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 Securities and Future Ordinance (“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 (Note)	71.20

Note:

Trillion Resources BVI beneficially owned 154,006,125 Shares in the Company (the “Shares”) and Mercury Fast Limited (“Mercury”) beneficially owned 62,602,700 Shares, representing 50.60% and 20.60% of the issued shares of the Company respectively. Mr. William Cheng Kai Man 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	SHP (Note 1)	Interest of controlled corporations	Corporate	359,543,999	62.02
William Cheng Kai Man	MHI (Note 2)	Interest of controlled corporations	Corporate	6,360,585,437	71.09
William Cheng Kai Man	Trillion Resources BVI (Note 3)	Beneficial owner	Personal	1	100

Notes:

1. SHP, the Company's subsidiary, is a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
2. MHI, the Company's indirect subsidiary, is a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
3. Trillion Resources BVI, 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 MHI) (<i>Note 1</i>)	Interest of controlled corporation	62,602,700	20.60
Shun Ho Technology Holdings Limited (Now known as SHP) (<i>Note 1</i>)	Interest of controlled corporation	62,602,700	20.60
Trillion Resources BVI (<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:

1. MHI and SHP were taken to be interested in 62,602,700 Shares owned by Mercury as Mercury was a wholly-owned subsidiary of MHI which in turn owned as to 71.09% by SHP and its subsidiaries.
2. SHP is directly and indirectly owned as to 60.38% by Omnico Company Inc., which was in turn owned as to 100% by the Company, which was in turn directly and indirectly owned as to 71.20% by Trillion Resources BVI, which was in turn wholly-owned by Mr. William Cheng Kai Man. Trillion Resources BVI beneficially owned 154,006,125 Shares and was taken to be interested in 62,602,700 Shares by virtue of its indirect interests in Mercury.
3. 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 2015 (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 (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.

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 2015 (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 Company and its subsidiaries 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 SHP) and Magnificent Estates Limited (now known as MHI) for the acquisition by SHP from MHI the MHI's entire 100% interest in the 633 King's Road Property and 68% interest in Shun Ho Tower, through acquisition of MHI's entire 68% indirect interest in Trans-Profit Limited and 100% interest in Houston Venture Limited together with the shareholder's loans for a consideration of approximately HK\$2,413 million; and
- (b) The Purchase Agreement.

9. CONSENTS

Each of Allsop LLP 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
Allsop LLP	Professional valuer
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the Latest Practicable Date, neither Allsop LLP nor Deloitte Touche Tohmatsu 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, neither Allsop LLP nor Deloitte Touche Tohmatsu had any direct or indirect interests in any assets which since 31 December 2015 (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 Mr. Huen Po Wah, an associate of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He 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 memorandum of association and articles of association of the Company;
- (c) the annual reports of the Company for each of the financial years ended 31 December 2014 and 31 December 2015;
- (d) the letters of consent referred to in the section headed "Consents" in this appendix;
- (e) the accountants' report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Group as set out in Appendix III to this circular;
- (f) the material contracts referred to in the paragraph headed "Material Contracts" above; and
- (g) the property valuation report of Allsop LLP in respect of the Property, the text of which is set out in Appendix IV to this circular.

NOTICE OF EGM



SHUN HO HOLDINGS LIMITED

順豪控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 253)

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 25 August 2016 at 12:15 p.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

- “(a) the purchase agreement (the “**Purchase Agreement**”) dated 23 June 2016 between 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 (the “**Vendor**”) as vendor and King Express Development Limited (the “**Purchaser**”), an indirect subsidiary of the Company as purchaser in relation to the acquisition of a real 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 and the transactions contemplated under the 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 Purchase Agreement (including but not limited to extending any long stop dates provided under the Purchase Agreement) and/or (ii) protect the interests of the Company and the Purchaser in relation to the 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

Huen Po Wah
Secretary

Hong Kong, 8 August 2016

Registered Office:

3rd Floor, Shun Ho Tower, 24-30 Ice House Street, Central, Hong Kong

NOTICE OF 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.