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If you have sold or transferred all your shares in Magnificent Hotel Investments 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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MAGNIFICENT HOTEL INVESTMENTS LIMITED

華大酒店投資有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 201)

**MAJOR TRANSACTION
IN RELATION TO
THE ACQUISITION OF A PROPERTY IN LONDON**

A letter from the board of directors of Magnificent Hotel Investments Limited is set out on pages 4 to 11 of this circular.

8 August 2016

DEFINITIONS

In this circular, the following words and expressions shall 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”	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
“Consideration”	the consideration payable by the Purchaser for the purchase of the Property under the Purchase Agreement
“Director(s)”	director(s) of the Company
“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 Vendor
“GBP” or “£”	British Pound(s), the lawful currency of the United Kingdom
“Group”	the Company and its subsidiaries
“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

DEFINITIONS

“Latest Practicable Date”	3 August 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities 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
“Purchase Agreement”	the purchase agreement dated 23 June 2016 between the Vendor and the Purchaser in relation to the Acquisition
“Purchaser”	King Express Development Limited, a direct wholly-owned subsidiary of the Company
“Share(s)”	share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“SHH”	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
“SHH EGM”	the extraordinary general meeting of SHH to be held to approve the Purchase Agreement and transactions contemplated thereunder
“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 SHH
“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 GBP1.00 = 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



MAGNIFICENT HOTEL INVESTMENTS LIMITED

華大酒店投資有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 201)

Executive Director:

Mr. William CHENG Kai Man (*Chairman*)

Mr. Albert HUI Wing Ho

Non-executive Director:

Madam Mable LUI FUNG Mei Yee

Independent Non-executive Director:

Mr. Vincent KWOK Chi Sun

Mr. CHAN Kim Fai

Mr. HUI Kin Hing

Registered Office:

3rd Floor, Shun Ho Tower,

24-30 Ice House Street,

Central,

Hong Kong

8 August 2016

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF A PROPERTY IN LONDON, UNITED KINGDOM

1. INTRODUCTION

In the announcement dated 27 June 2016, the boards of directors of the Company, SHP and SHH jointly announced that on 23 June 2016 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company entered into the Purchase Agreement with the Vendor for the acquisition of the Property for a Consideration of GBP70,300,000 (equivalent to approximately HK\$731,120,000).

The Company, SHH and SHP are all listed on the Stock Exchange. As at the Latest Practicable Date, SHH controls approximately 62.02% of SHP, SHP in turn controls approximately 71.09% of the Company.

The Acquisition constitutes a major transaction for the Company under the Listing Rules.

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The Acquisition also constitutes a very substantial acquisition and a major transaction for SHH and SHP respectively under the Listing Rules. Accordingly, the Acquisition is subject to approval by the respective shareholders of the Company, SHP and SHH under the Listing Rules. As no Shareholders are required to abstain from voting at general meeting to approve the Acquisition, the Company has already obtained written approvals for the Acquisition from SHP and its wholly-owned subsidiaries which together hold more than 50% of the issued Shares of the Company giving the right to attend and vote at a general meeting. Set out below are the number of Shares held by SHP and its wholly-owned subsidiaries:

Company Name	Number of Shares held	Approximate percentage of shareholding <i>(Note)</i>
Shun Ho Property Investments Limited (formerly known as Shun Ho Technology Holdings Limited)	2,709,650,873	30.29
South Point Investments Limited	273,579,983	3.06
Fastgrow Engineering & Construction Co. Limited	2,978,198,581	33.28
Good Taylor Limited	395,656,000	4.42
Shun Ho Technology Developments Limited	3,500,000	0.04
Total	6,360,585,437	71.09

Note: The percentage was calculated based on 8,947,051,324 issued Shares of the Company as at the date of this circular.

Accordingly, no general meeting will be held by the Company for approval of the Acquisition.

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.

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.)

LETTER FROM THE BOARD

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

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 SHH 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.

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Closing:

The Closing shall be two (2) days after the passing of the resolutions approving the Acquisition at the SHH 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, SHH and SHP) 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 the 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.

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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 tourism 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 SHH 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 SHH), it is virtually certain that approval of the Acquisition by the Shareholders of SHH will be obtained. Further, despite a large portion of Consideration will be paid before Closing, the interest 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 of SHH at the SHH 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 SHH 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\$5,470) 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.

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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 Boards consider the Acquisition represents a good opportunity for the Group (a member of SHP and SHH) 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 Boards believe 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 the Company is a 71.09%-owned subsidiary of SHP, which in turn is a 62.02%-owned subsidiary of SHH, both SHP and SHH will benefit from the Acquisition through its shareholdings in the Company. For the above reasons, the Boards are of the view that the Acquisition is in the best interests of the Company, SHP and SHH and the Shareholders, the shareholders of SHP and SHH as a whole.

5. FINANCIAL EFFECTS OF THE ACQUISITION

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.

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

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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.

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 Group include hotel management and development.

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 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 Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficiary owner(s) are Independent Third Parties.

8. RECOMMENDATION

The Board considers that the Acquisition is on normal commercial terms and the terms of the Agreement (including the Consideration) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Board would recommend that all Shareholders to vote in favour of the Acquisition and the Agreement if a physical general meeting were to be held.

9. ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board of
Magnificent Hotel Investments 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 26 to page 87 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 25 to page 86 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 27 to page 84 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.magnificenthotelinv.com>). In particular, the web links of the Annual Reports are as follows:

2013 Annual Report

<http://www.magnificenthotelinv.com/documents/ar/e%20201%20AR2013%2020140428.pdf>

2014 Annual Report

<http://www.magnificenthotelinv.com/documents/ar/e%20201%20AnnualReport2014%202015%2004%2027.pdf>

2015 Annual Report

<http://www.magnificenthotelinv.com/documents/ar/e%20201%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 SHP amounting to approximately HK\$84.3 million;
- (ii) unguaranteed and unsecured advance from Trillion Resources Limited amounting to approximately HK\$0.4 million;

- (iii) bank borrowings of approximately HK\$384.7 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\$2,451.0 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 hotel revenue; and
- (iv) 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\$173.3 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 is principally engaged in the hotel operation.

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

	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	Change	Reasoning
Income from operation of hotels	529,287	435,821	-18%	Hotel market trend
Properties rental income	118,909	69,905	-41% (Note)	Disposal of properties due to group reorganisation
Income from securities investment	227	5,640	+2,385%	
Other income	28,882	19,641	-32%	Loss of property management fee income due to disposal of properties
	_____	_____		
Total	<u>677,305</u>	<u>531,007</u>		

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

Hotel Operation

The Group 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.

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 advances from SHP and 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.

PROFIT AND LOSS STATEMENT OF THE PROPERTY

Pursuant to Rule 14.67(6)(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 14.67(6)(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 14.67(6)(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
	2013	2014	2015	1 January
	HK\$’000	HK\$’000	HK\$’000	2016 to
	<i>(Note 1)</i>	<i>(Note 1)</i>	<i>(Note 1)</i>	21 June
				2016
				HK\$’000
				<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 the 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 position 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.

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 position 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.

The unaudited pro forma financial information is prepared based on the audited 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 31 December 2015.

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 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	2,667,279			2,667,279
Prepaid lease payments for land	30,765			30,765
Investment properties	260,000	807,396		1,067,396
Properties under development	102,981			102,981
Available-for-sale investments	485,398			485,398
	<u>3,546,423</u>			<u>4,353,819</u>
CURRENT ASSETS				
Inventories	946			946
Prepaid lease payments for land	852			852
Trade and other receivables	18,664			18,664
Other deposits and prepayments	8,068			8,068
Bank balances and cash	778,062	(778,062)		–
	<u>806,592</u>			<u>28,530</u>
CURRENT LIABILITIES				
Trade and other payables and accruals	32,647	77,998	438	111,083
Rental and other deposits received	8,868			8,868
Advance from immediate holding company	12,721			12,721
Advance from ultimate holding company	438			438
Tax liabilities	4,953			4,953
Bank loans	401,570			401,570
	<u>461,197</u>			<u>539,633</u>
NET CURRENT ASSETS (LIABILITIES)	<u>345,395</u>			<u>(511,103)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>3,891,818</u>			<u>3,842,716</u>
NON-CURRENT LIABILITIES				
Rental deposits received	2,654			2,654
Deferred tax liabilities	93,294			93,294
	<u>95,948</u>			<u>95,948</u>
NET ASSETS	<u><u>3,795,870</u></u>			<u><u>3,746,768</u></u>

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

1. The audited consolidated assets and liabilities as at 31 December 2015 was 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\$438,000 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 31 December 2015 was GBP70,300,000, which was the purchase price of the Property as if the Acquisition had been completed on that date.
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 rate of GBP1 to HK\$11.485 has been applied as at 31 December 2015.

**D. ACCOUNTANTS' REPORT FROM THE REPORTING ACCOUNTANTS ON
UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared 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 Magnificent Hotel Investments Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Magnificent Hotel Investments 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 related notes as set out on pages 18 to 20 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 18 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 as if the Acquisition had taken place at 31 December 2015. As part of this process, information about the Group's financial position 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 unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

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

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

Reporting Accountants’ Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 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 Magnificent Hotel Investments 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 of 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	6,360,585,437 (Note)	71.09

Note: Shun Ho Property Investments Limited (formerly known as Shun Ho Technology Holdings Limited) (“SHP”) beneficially owned 2,709,650,873 Shares (30.29%) and was taken to be interested in 395,656,000 Shares (4.42%) held by Good Taylor Limited, 273,579,983 Shares (3.06%) held by South Point Investments Limited, 3,500,000 Shares (0.04%) held by Shun Ho Technology Developments Limited and 2,978,198,581 Shares (33.29%) held by Fastgrow Engineering & Construction Company Limited, representing a total of 6,360,585,437 Shares (71.09%). Mr. William Cheng Kai Man had controlling interest in the above-mentioned 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	SHH (Note 2)	Interest of controlled corporations	Corporate	216,608,825	71.20
William Cheng Kai Man	Trillion Resources BVI (Note 3)	Beneficial owner	Personal	1	100

Notes:

1. SHP, the Company's immediate holding company, is a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
2. SHH, the Company's intermediate holding company, is a company incorporated in Hong Kong with limited liability, 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
Shun Ho Technology Holdings Limited (Now known as SHP) <i>(Note 1)</i>	Beneficial owner and interest of controlled corporations	6,360,663,987	71.09
Omnico Company Inc. ("Omnico") <i>(Note 2)</i>	Interest of controlled corporations	6,360,663,987	71.09
Shun Ho Resources Holdings Limited (Now known as SHH) <i>(Note 2)</i>	Interest of controlled corporations	6,360,663,987	71.09
Trillion Resources BVI <i>(Note 2)</i>	Interest of controlled corporations	6,360,663,987	71.09
Liza Lee Pui Ling <i>(Note 3)</i>	Interest of Spouse	6,360,663,987	71.09
Fastgrow Engineering & Construction Company Limited	Beneficial owner	2,978,198,581	33.29
Shobokshi Hussam <i>(Note 4)</i>	Beneficial owner and interest in person acting in concert	613,754,500	6.86
Saray Equities Investment Management <i>(Note 4)</i>	Investment manager and interest in person acting in concert	613,754,500	6.86
Saray Developed Markets Value Fund <i>(Note 4)</i>	Beneficial owner and interest in person acting in concert	613,754,500	6.86

Name of shareholder	Capacity	Number of shares/ underlying shares held	Approximate % of shareholding
North Salomon Limited (Note 4)	Beneficial owner and interest in person acting in concert	613,754,500	6.86
Hashim Hashim Abdullah (Note 4)	Founder of a discretionary trust and interest in person acting in concert	613,754,500	6.86
Credit Suisse Trust Limited (Note 4)	Trustee and interest in person acting in concert	613,754,500	6.86

Notes:

1. SHP beneficially owned 2,709,729,423 Shares (30.29%) and was taken to be interested in 395,656,000 Shares (4.42%) held by Good Taylor Limited, 273,579,983 Shares (3.06%) held by South Point Investments Limited, 3,500,000 Shares (0.04%) held by Shun Ho Technology Developments Limited and 2,978,198,581 Shares (33.29%) held by Fastgrow Engineering & Construction Company Limited, representing a total of 6,360,663,987 Shares (71.09%). The above-mentioned companies were wholly-owned subsidiaries of SHP.
2. SHP is directly and indirectly owned as to 60.38% by Omnico, which was in turn owned as to 100% by SHH, which was in turn directly owned as to 50.60% by Trillion Resources BVI, which was in turn wholly-owned by Mr. William Cheng Kai Man. Therefore, Omnico, SHH and Trillion Resources BVI were taken to be interested in 6,360, 663,987 Shares by virtue of their direct and indirect interests in SHP.
3. Madam Liza Lee Pui Ling was deemed to be interested in 6,360, 663,987 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.
4. Hashim Hashim Abdullah (“Hashim”) was a founder of a discretionary trust of 503,707,655 Shares. North Salomon Limited (“North”) beneficially owned 503,707,655 Shares. Credit Suisse Trust Limited (“Credit”) was a trustee of 503,707,655 Shares. Hashim, North and Credit had interest in person acting in concert of 7,327,984 Shares held by Shobokshi Hussam (“Shobokshi”) and 102,718,861 Shares held by Saray Developed Markets Value Fund (“Saray Developed”). Therefore, total number of shares in which Hashim, North and Credit were interested under section 317 and 318 of SFO was 613,754,500 Shares.

Shobokshi beneficially owned 7,327,984 Shares. Saray Developed beneficially owned 102,718,861 Shares. Saray Equities Investment Management (“Saray Equities”) was the investment manager of 102,718,861 Shares. Shobokshi had interest in person acting in concert of 102,718,861 Shares held by Saray Developed and 503,707,655 Shares held by North. Saray Developed and Saray Equities had interest in person acting in concert of 7,327,984 Shares held by Shobokshi and 503,707,655 Shares held by North. Therefore, total number of shares in which Shobokshi, Saray Developed and Saray Equities were interested under section 317 and 318 of SFO is 613,754,500 Shares.

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 a supplemental agreement dated 13 April 2015) between Shun Ho Technology Holdings Limited (now known as SHP) and Magnificent Estates Limited (now known as the Company) for the acquisition by SHP from the Group the Group's entire 100% interest in the 633 King's Road Property and 68% interest in Shun Ho Tower, through acquisition of the Company'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.