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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

If you have sold or transferred all your shares in **Magnificent Estates 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 ESTATES LIMITED****(華大地產投資有限公司)***(Incorporated in Hong Kong with limited liability)***(Stock code: 201)**

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION  
INVOLVING DISPOSAL BY MAGNIFICENT ESTATES LIMITED  
INTERESTS IN COMMERCIAL PROPERTIES TO  
SHUN HO TECHNOLOGY HOLDINGS LIMITED  
PROPOSED DISTRIBUTION AND SPECIAL CASH DIVIDEND  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the MEL Independent Shareholders**

**Gram Capital Limited****嘉林資本有限公司**

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A notice convening an extraordinary general meeting of the Company to be held at 3rd Floor, Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong on Friday, 12 June 2015 at 9:00 a.m. is set out on pages 88 to 90 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.magnificentestatesltd.com](http://www.magnificentestatesltd.com).

Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's share registrar in Hong Kong, 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 the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

28 May 2015

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## EXPECTED TIMETABLE

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2015

Latest time for lodging forms of proxy  
for the EGM . . . . . 9:00 a.m. on Wednesday, 10 June

Latest time for lodging transfers of MEL Shares  
in order to be entitled to attend and  
vote at the AGM and the EGM . . . . . 4:30 p.m. on Wednesday, 10 June

Closure of the register of members of the Company  
for determination of entitlements to attend  
and vote at the AGM and the EGM (*Note*) . . . . . Thursday, 11 June to  
Thursday, 18 June (both days inclusive)

EGM . . . . . 9:00 a.m. on Friday, 12 June

Announcement of the results of the EGM . . . . . Friday, 12 June

Latest time for lodging forms of proxy  
for the AGM . . . . . 9:30 a.m. on Tuesday, 16 June

AGM . . . . . 9:30 a.m. on Thursday, 18 June

Announcement of the results of the AGM . . . . . Thursday, 18 June

Latest day for dealing in the MEL Shares cum-entitlement to the  
Proposed Distribution, Special Cash Dividend, Interim Dividend  
and Final Dividend . . . . . Wednesday, 24 June

First day of dealing in the MEL Shares ex-entitlement to the  
Proposed Distribution, Special Cash Dividend, Interim Dividend  
and Final Dividend . . . . . Thursday, 25 June

Latest time for lodging transfers of MEL Shares  
in order to be entitled to the Proposed Distribution,  
Special Cash Dividend, Interim Dividend  
and Final Dividend . . . . . 4:30 p.m. on Friday, 26 June

Closure of the register of members of the Company for  
determination of entitlements to the Proposed Distribution  
Special Cash Dividend, Interim Dividend  
and Final Dividend . . . . . Monday, 29 June to  
Friday, 3 July (both days inclusive)

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## EXPECTED TIMETABLE

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Record date for the Proposed Distribution,

Special Cash Dividend, Interim Dividend and Final Dividend . . . . . Friday, 3 July

Completion and despatch of share certificates of SHT Shares

to the Shareholders (other than the Excluded Shareholders) . . . . . Friday, 17 July

Despatch of cheques for cash entitlements to the Excluded Shareholders

pursuant to the Proposed Distribution on or before . . . . . Monday, 3 August

*Note:* The register of members of the Company will be closed during the period from 11 June 2015 to 18 June 2015 (both days inclusive) for determination of entitlements to attend and vote at the AGM and EGM. For the avoidance of doubt, the register of members will remain closed after the EGM and will re-open on 19 June 2015 after the AGM.

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## DEFINITIONS

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

“AGM”	means the forthcoming annual general meeting of the Company to be held on 18 June 2015 to approve, among other matters, payment of the Final Dividend
“Allotment Right”	means a right to the holder of the Share Entitlement Note to call for the issue by SHT to it of a fixed number of fully paid SHT Shares without having to make any payment
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	means the board of Directors
“Companies Ordinance”	means Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	means Magnificent Estates Limited (華大地產投資有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	means completion of the Transaction in accordance with the terms of the Sale and Purchase Agreement
“Completion Date”	means 10 business days after the fulfilment or waiver of the Conditions, or such other date as may be agreed between SHT and the Company
“Conditions”	means the conditions precedent to Completion, as more particularly set out under the section headed “Conditions to Completion” of this circular
“Consideration”	means the aggregate consideration of HK\$2,413,053,000 for the sale and purchase of the Sale Shares and the Shareholder’s Loan pursuant to the Sale and Purchase Agreement
“Deemed Disposal”	means the reduction of the SHR Group’s interest in SHT by approximately 4.0% upon Completion of the Transaction

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## DEFINITIONS

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“Directors”	means the director(s) of the Company
“EGM” or “MEL EGM”	means the extraordinary general meeting of the Company to be convened at 9:00 a.m. on 12 June 2015 to approve, among other matters (if any), the Sale and Purchase Agreement and transactions contemplated thereunder, and the Proposed Distribution and the Special Cash Dividend
“Excluded Companies”	means the three subsidiaries of Houston Venture other than Tennyland which will be transferred to the Company or its subsidiaries on or before Completion
“Excluded Shareholder”	means a holder of MEL Shares whose name appears on the register of members of the Company as holding MEL Shares on the record date for the Completion Distribution whose address on such register is, on such Record Date, in a place outside Hong Kong and who the Board, after making enquiries regarding the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place where practical, consider the exclusion of such holder from the distribution of SHT Shares under the Proposed Distribution is necessary or expedient
“Final Dividend”	means the final dividend of Hong Kong cent 0.575 per MEL Share for the year ended 31 December 2014 payable on 17 July 2015 to Shareholders whose names appear on the register of members of the Company on the Record Date subject to approval by the Shareholders at the AGM
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the MEL Independent Shareholders in connection with the Transaction
“Group”	means the Company and its subsidiaries
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Houston Venture”	means Houston Venture Limited, a company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date, and the legal and beneficial owner of the entire issued shares of Tennyland
“Independent Third Party(ies)”	means an independent third party(ies) which is not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders, of the Company or any of their respective subsidiaries and their respective associates
“Interim Dividend”	means the interim dividend of Hong Kong cent 0.2 per MEL Share for the six months ended 30 June 2014 payable on 17 July 2015 to Shareholders whose names appear on the register of members of the Company on the Record Date
“Latest Practicable Date”	means 22 May 2015, 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”	means the Rules Governing the Listing of Securities on the Stock Exchange
“MEL Independent Shareholders”	means the Shareholders other than SHT and its associates
“PRC”	means the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Property Interests”	means the Company’s entire 100% interest in the 633 King’s Road Property and 68% interest in Shun Ho Tower held through its interest in the Sale Companies
“Proposed Distribution”	means the proposed distribution by the Company to the Shareholders, upon Completion, of 0.0165 SHT Share per MEL Share (representing 33 SHT Shares for every board lot of 2,000 MEL Shares) to be allotted under the Share Entitlement Note
“Record Date”	means the record date for determining the entitlements to the Proposed Distribution, Special Cash Dividend, Interim Dividend and Final Dividend being 3 July 2015

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## DEFINITIONS

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“Remaining Group”	means the Group, other than the Sale Companies and their subsidiaries
“Sale and Purchase Agreement”	means the conditional Sale and Purchase Agreement dated 25 March 2015 as supplemented by a supplemental agreement dated 13 April 2015 entered into between SHT and the Company in relation to the Transaction
“Sale Companies”	means Trans-Profit and Houston Venture each a subsidiary of the Company
“Sale Shares”	means the Company’s entire 68% indirect interest in Trans-Profit and 100% interest in Houston Venture
“SFO”	means Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s) or MEL Share(s)”	means issued share(s) of the Company
“Share Entitlement Note”	means the share entitlement note to be issued by a wholly-owned subsidiary of SHT (and guaranteed by SHT) to the Company at Completion, which shall confer the right to call for the issue of a fixed number of fully paid SHT Shares, including any share entitlement note resulting from any assignment of such share entitlement note
“Shareholder(s)”	means the holder(s) of Shares
“Shareholder’s Loan”	means the shareholder’s loan owing by Trans-Profit to the Company
“SHR”	means 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
“SHR Board”	means the board of directors of SHR
“SHR EGM”	means an extraordinary general meeting of SHR to be convened to approve, among other matters (if any), the Sale and Purchase Agreement and transactions contemplated thereunder



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## DEFINITIONS

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“SHR Group”	means SHR and its subsidiaries
“SHR Share(s)”	means issued share(s) of SHR
“SHT”	means 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
“SHT Board”	means the board of directors of SHT
“SHT EGM”	means an extraordinary general meeting of SHT to be convened to approve, among other matters (if any), the Sale and Purchase Agreement, and transactions contemplated thereunder and the issue of SHT Shares which may fall to be issued under the Share Entitlement Note
“SHT Group”	means SHT and its subsidiaries
“SHT Share(s)”	means issued share(s) of SHT
“Shun Ho Tower”	means the commercial building known as Shun Ho Tower located at Nos. 24-30 Ice House Street, Central, Hong Kong of which Trans-Profit is the legal and beneficial owner as at the Latest Practicable Date
“Special Cash Dividend”	means the proposed special distribution of a cash dividend of HK\$0.03 per MEL Share to MEL Shareholders upon Completion as recommended by the MEL Board which is conditional upon, amongst others, approval of MEL Independent Shareholders
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Tennyland”	means Tennyland Limited, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date, and the legal and beneficial owner of the 633 King’s Road Property

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## DEFINITIONS

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“Transaction”	means the acquisition by the SHT Group of interests in the Sale Shares and the Shareholder’s Loan due from the Sale Companies to the Company pursuant to the Sale and Purchase Agreement
“Trans-Profit”	means Trans-Profit Limited, a company incorporated in Hong Kong with limited liability, and legally and beneficially owned as to 68% by the Group, 25% by SHT and 7% by a direct wholly-owned subsidiary of SHR as at the Latest Practicable Date, owner of the Shun Ho Tower
“Trillion Resources BVI”	means Trillion Resources Limited, a company incorporated in BVI with limited liability and controlled by Mr. William Cheng Kai Man who is the Chairman of the Board
“Trillion Resources HK”	means Trillion Resources Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of SHR
“633 King’s Road Property”	means the office building located at 633 King’s Road, North Point, Hong Kong of which Tennyland Limited is the legal and beneficial owner as at the Latest Practicable Date
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“%”	means per cent.

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LETTER FROM THE BOARD

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**MAGNIFICENT ESTATES LIMITED**

**(華大地產投資有限公司)**

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 201)**

*Executive Directors:*

Mr. William CHENG Kai Man (*Chairman*)

Mr. Albert HUI Wing Ho

*Non-executive Directors:*

Madam Mabel LUI FUNG Mei Yee

*Independent Non-executive Directors:*

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

28 May 2015

*To the Shareholders*

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION  
INVOLVING DISPOSAL BY MAGNIFICENT ESTATES LIMITED  
INTERESTS IN COMMERCIAL PROPERTIES TO  
SHUN HO TECHNOLOGY HOLDINGS LIMITED  
PROPOSED DISTRIBUTION AND SPECIAL CASH DIVIDEND  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

In the joint announcement dated 25 March 2015, the Company, SHR and SHT jointly announced that on 25 March 2015, the Company and SHT entered into the Sale and Purchase Agreement pursuant to which SHT agreed to acquire from the Company the Property Interests, being the Group's entire 100% interest in the 633 King's Road Property and 68% interest in Shun Ho Tower, through acquisition of its interests in the Sale Companies and the Shareholder's Loan.

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## LETTER FROM THE BOARD

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The Transaction is an effective re-organization of the SHR Group comprising the SHT Group and the Group and will unlock shareholder's value for the Shareholders through streamlining the business of the Group. The Transaction will result in the Company becoming a listed company focusing on hotel operations and SHT Group specializing in commercial property investments while maintaining its investment in hotel assets through investment holding of the Company.

The interest of the majority shareholder and other Shareholders of the Company are aligned in the Transaction. Since the exchange ratio for the SHT Shares conferred under the Share Entitlement Note and the Consideration for the sale and purchase of the Sale Companies and Shareholder's Loan are all based on the appraised value of the underlying assets valued by professional valuer, the Transaction will end up the Shareholders having the same position before and after the Transaction in terms of economic interest in the appraised value of the net assets, but benefiting from the improved corporate structure and clear delineation of business.

In the joint announcement dated 13 April 2015 of the Company, SHT and SHR, it was further announced that the Board had resolved to recommend to the Shareholders for approval the Special Cash Dividend in the amount of HK\$0.03 per MEL Share subject to, amongst others, approval by the MEL Independent Shareholders at the EGM.

Subject to the fulfillment of the conditions set out below, in addition to the Proposed Distribution, the Shareholders will receive the Special Cash Dividend upon Completion.

## 2. THE SALE AND PURCHASE AGREEMENT

### The Agreement

**Date:** 25 March 2015

**Parties:** (i) SHT  
(ii) the Company

### The Transaction

The Transaction involves the acquisition by the SHT Group from the Group the Property Interests, being the Group's entire 100% interest in the 633 King's Road Property and 68% interest in Shun Ho Tower, through acquisition of the Sale Shares together with the Shareholder's Loan. The Sale Companies, whose principal business activity is investment holding in the Property Interests, are subsidiaries of the Company. Under the Sale and Purchase Agreement, the Company will sell its entire 100% interest in Houston Venture for a consideration of approximately HK\$2,016.8 million and procure the sale of its entire 68% indirect interest in Trans-Profit together with the Shareholder's Loan for a consideration of approximately HK\$396.2 million to SHT.

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## LETTER FROM THE BOARD

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The Group currently holds 100% interest in the 633 King's Road Property through its indirect wholly-owned subsidiary, Tennyland which is wholly-owned by Houston Venture. The 633 King's Road Property is a 31-storey commercial building with carparks located at 633 King's Road, North Point with a total gross floor area of 258,384 sq.ft.. The property is held by the Group as investment property which yielded rental income of approximately HK\$73.9 million and HK\$89.4 million for the year ended 31 December 2013 and 2014, respectively. The 633 King's Road Property was valued at HK\$2,170 million at 31 March 2015 by DTZ Debenham Tie Leung Limited. For details of the valuation report by DTZ Debenham Tie Leung Limited on the 633 King's Road Property, please refer to Appendix V to this circular.

As at the Latest Practicable Date, Houston Venture also held other assets which are unrelated to the Property Interests through three wholly-owned subsidiaries, namely the Excluded Companies. Pursuant to the Sale and Purchase Agreement, Houston Venture shall transfer or dispose of its entire interests in the Excluded Companies on or before Completion to the Company or any of its wholly-owned subsidiaries. Accordingly, upon Completion Houston Venture's principal asset is its 100% interest in Tennyland.

Appendix II to this circular presents the consolidated financial information of Houston Venture and its subsidiaries for each of the three financial years ended 31 December 2014. Set out below is an extract of certain unaudited consolidated financial information of Houston Venture and its subsidiaries for each of the two financial years ended 31 December 2013 and 2014:

	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK'000</i>
Net assets as at 31 December	2,026,318	2,184,717
Profit before taxation from continuing operations	95,132	333,008
Profit after taxation from continuing operations	81,238	318,882

The consideration for the sale and purchase of 100% interest in Houston Venture represents the net asset value of Tennyland as at 31 December 2014. Set out below is certain audited financial information of Tennyland for each of the two financial years ended 31 December 2013 and 2014:

	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK'000</i>
Net assets as at 31 December	2,016,842	1,936,980
Profit before taxation	93,656	328,197
Profit after taxation	79,863	314,225

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## LETTER FROM THE BOARD

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Trans-Profit, the legal and beneficial owner of Shun Ho Tower, is owned as to 68% by the Group, 25% directly by SHT and 7% by a direct wholly-owned subsidiary of SHR. The Transaction involves the acquisition of the Group's entire 68% interest in Trans-Profit by SHT together with the Shareholder's Loan. Shun Ho Tower is a 24-storey commercial building located at Nos. 24-30 Ice House Street, Central, Hong Kong. Shun Ho Tower has a total gross floor area of 54,312 sq.ft. and is held by the the Group as investment property which yielded rental income of approximately HK\$20.3 million and HK\$21.6 million for the year ended 31 December 2013 and 2014, respectively. Shun Ho Tower was valued at HK\$587 million at 31 March 2015 by DTZ Debenham Tie Leung Limited. For details of the valuation report by DTZ Debenham Tie Leung Limited on Shun Ho Tower, please refer to Appendix V to this circular.

Appendix III to this circular presents the financial information of Trans-Profit for each of the three financial years ended 31 December 2014. Set out below is an extract of certain unaudited financial information of Trans-Profit for each of the two financial years ended 31 December 2013 and 2014:

	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK'000</i>
Net assets as at 31 December	388,054	469,551
Profit before taxation	33,481	21,798
Profit after taxation	30,937	19,841

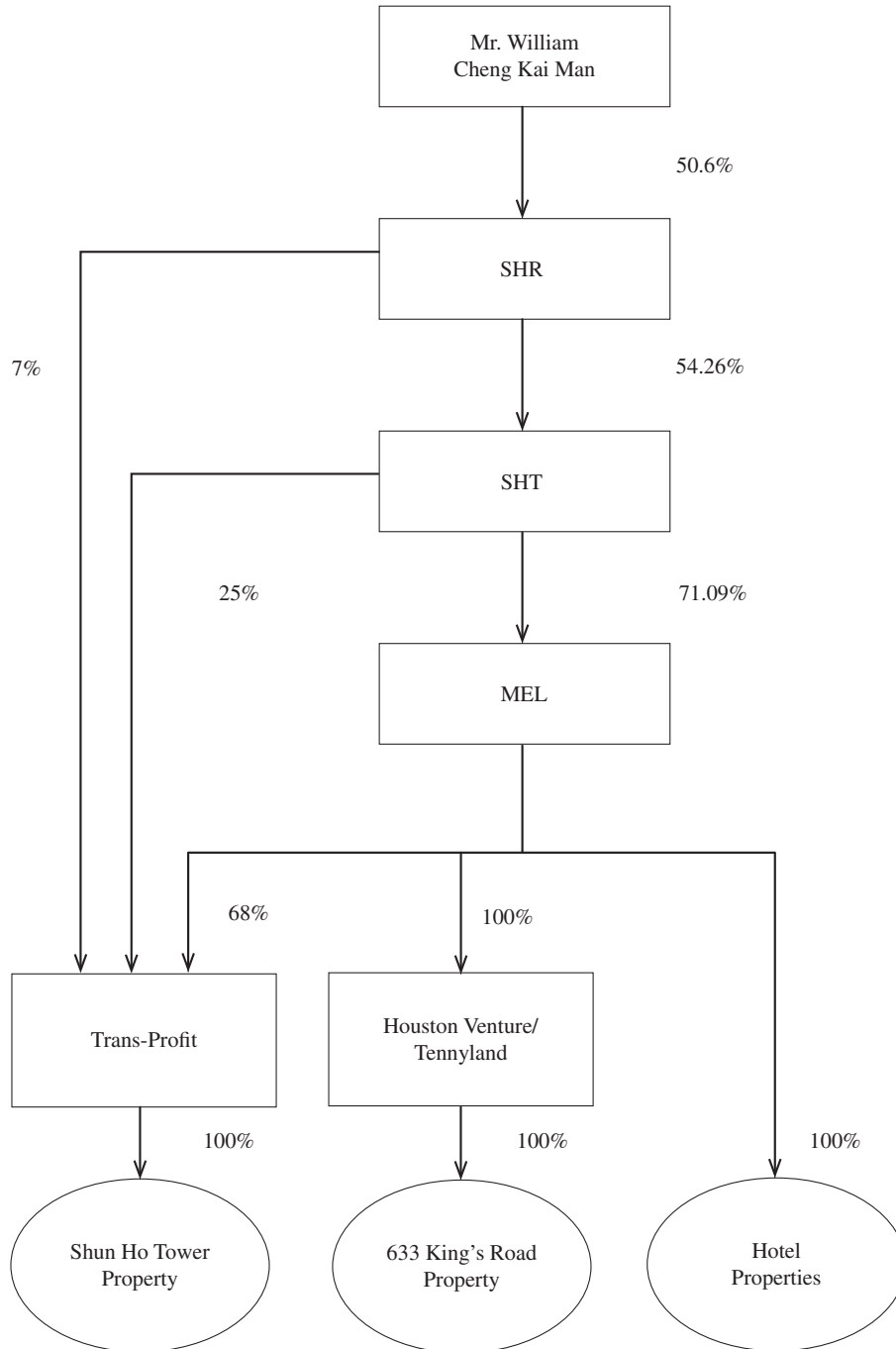
The consideration for the sale and purchase of the Company's 68% interest in Trans-Profit represents the aggregate of the Company's 68% attributable interest in the net asset value of Trans-Profit as at 31 December 2014 and the Shareholder's Loan which amounted to approximately HK\$132.3 million as at 31 December 2014.

The Sale Companies and their subsidiaries will cease to be subsidiaries of the Company following Completion. The Sales Companies will continue to be subsidiaries of SHT and in turn indirect subsidiaries of SHR following Completion.

## LETTER FROM THE BOARD

A simplified overview of the approximate shareholding interest between SHR, SHT, the Company and the Sale Companies as at the Latest Practicable Date and upon Completion are set out below:

*As at the Latest Practicable Date:*



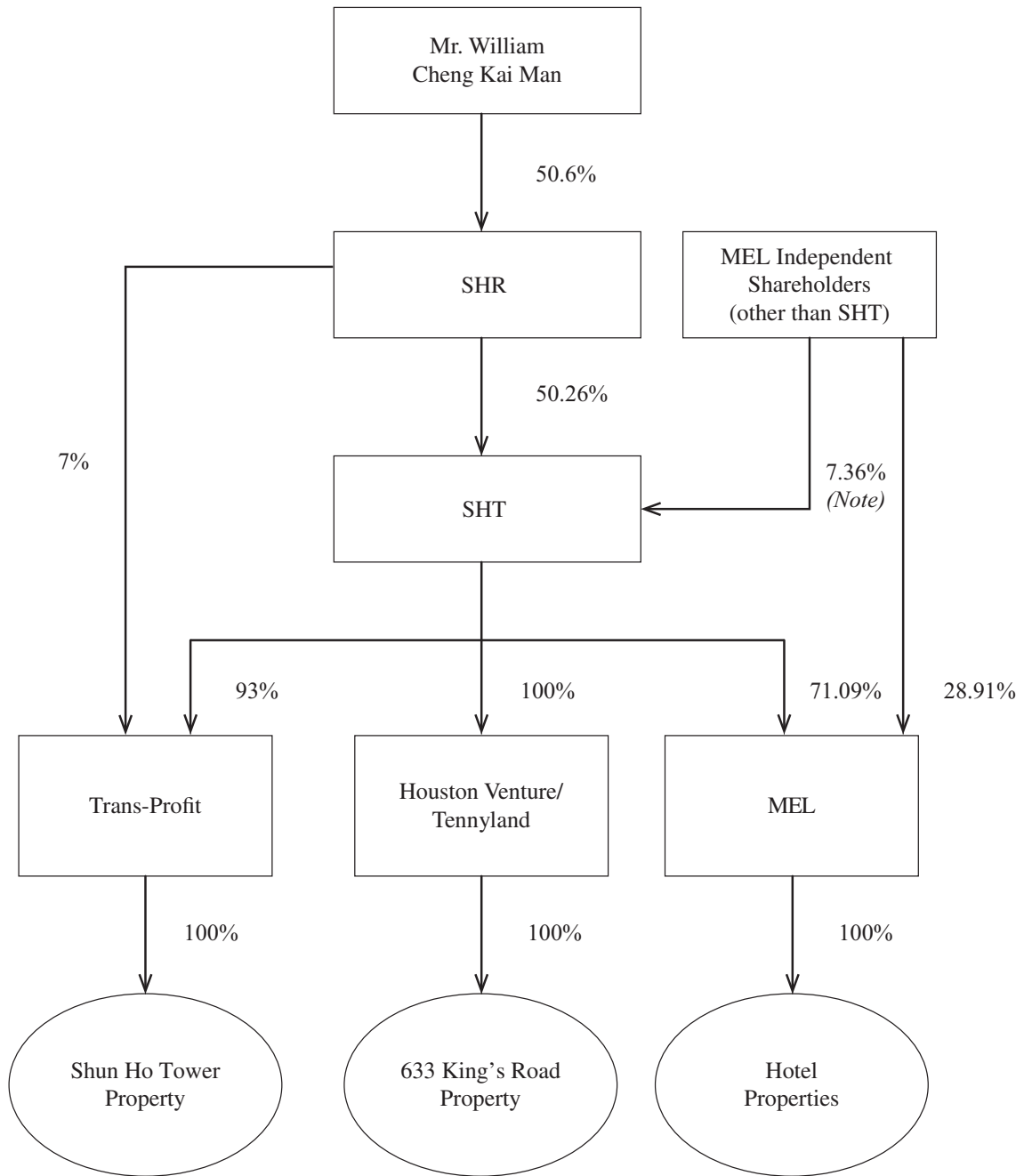
*Note:* In June 2000 SHT announced the proposed acquisition of further shares in the Company which resulted in the Company becoming a subsidiary of SHT from an associated company before the acquisition. Over the years SHT had further increased its shareholding in the Company. On 26 April 2013, the Company announced the sale of 7% interest and 25% interest in Trans-Profit to SHR and SHT respectively, using the sale proceeds to further develop its hotel related business. The current group structure of the SHR Group depicted above primarily took shape since then.

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## LETTER FROM THE BOARD

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*Upon completion:*



*Note:* Assume that the MEL Independent Shareholders do not hold any SHT Shares immediately before Completion.



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## LETTER FROM THE BOARD

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### Consideration

The total consideration for the sale and purchase of the Sale Shares and the Shareholder's Loan of HK\$2,413,053,000 will be satisfied by the issue to the Company of the Share Entitlement Note, which shall confer on the holder the right to call for the issue by SHT of 147,626,347 SHT Shares credited as fully paid. The SHT Shares to be issued pursuant to the Share Entitlement Note implies an issue price of approximately HK\$16.35 per SHT Share which is slightly lower than the adjusted net asset value per SHT Share as detailed below. The total number of consideration SHT Shares to be issued are determined by the parties by reference to the adjusted net asset value of SHT Shares, the fair value of the Sale Shares and the Shareholder's Loan and the distribution ratio of 0.0165 SHT Share for every MEL Share (representing 33 SHT Shares for every board lot of 2,000 MEL Shares) (8,947,051,324 Shares in issue as of the Latest Practicable Date) under the Proposed Distribution.

The implied issue price of approximately HK\$16.35 per SHT Share represents:

- (i) a premium of approximately 678.6% to the closing price of HK\$2.10 per SHT Share as quoted on the Stock Exchange on 25 March 2015, being the date of the Sale and Purchase Agreement; and
- (ii) a premium of approximately 388.1% to the closing price of HK\$3.35 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The net assets excluding non-controlling interests before revaluation on all property assets of the SHT Group as at 31 December 2014 amounted to approximately HK\$4,631,277,000. And the net assets excluding non-controlling interests after revaluation on all property assets of the SHT Group as at 31 December 2014 amounted to approximately HK\$8,784,859,000 on taking into account the revaluation of the property assets of the Group in which the SHT Group has a 71.09% attributable interest. The revaluation surplus of the property assets totaled approximately HK\$5,842,593,000 comprising (i) approximately HK\$5,821,337,000 from the six operating hotels and the new hotel under development of the Group as detailed below; (ii) approximately HK\$21,256,000 from the portion of Shun Ho Tower retained for own use as office of the SHR Group. According to HKFRSs, such property assets are classified as fixed assets and their carrying amounts are not marked to valuation. The adjusted net asset value per SHT Share as at 31 December 2014 was approximately HK\$16.36. The property assets of the Group were valued by DTZ Debenham Tie Leung Limited. The closing price of HK\$3.35 per SHT Share on the Latest Practicable Date represented a discount of 79.5% to the adjusted net asset value of HK\$16.36 per SHT Share.

The net assets excluding non-controlling interests before revaluation on all property assets of the Group as at 31 December 2014 amounted to approximately HK\$6,276,376,000. Having adjusted the revaluation surplus of HK\$5,842,593,000 of the Group's property assets as detailed above, the adjusted net asset value amounted to HK\$12,118,969,000, representing HK\$1.36 per MEL Share. The closing price of HK\$0.385 per MEL Share on the Latest Practicable Date represented a discount of 71.7% to the adjusted net asset value of HK\$1.36 per MEL Share. Both MEL Shares and SHT Shares are currently traded at huge discounts to their adjusted net asset value. The Directors consider the discount of the shares of SHT to its

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## LETTER FROM THE BOARD

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adjusted net asset value to a very large extent inherits from the discount of the shares of MEL to its adjusted net asset value and therefore believe that the better and more delineated corporate structure of the Group and the SHT Group after the Transaction will help improve the situation.

The purpose of the Transaction is to achieve a better group structure in the context that the Transaction will result in MEL Shareholders' and SHT Shareholders' attributable interests in net asset value ("NAV") remaining the same before and after the Transaction. If the number of SHT shares to be issued under the Share Entitlement Note is set with reference to market share price instead, SHT Shareholders' interest in their company's NAV will be significantly diluted. The Transaction with the issue price set by reference to the adjusted net asset value per SHT Share is considered fair and reasonable because firstly, MEL Shareholders will suffer no NAV dilution and secondly, their share of the company's NAV held through their shareholdings will remain the same before and after the Transaction. For illustration purpose, the following table outlines the position of a Shareholder holding 1% interest in the Company before and after the Transaction.

### Before the Transaction

#### The 1% Shareholder's interest in the adjusted NAV

*HK\$' million*

In MEL	(HK\$12,118,969,000 x 1%) (Note 1)	<u><u>121.2</u></u>
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### After the Transaction

#### The 1% Shareholder's interest in the adjusted NAV

*HK\$' million*

In MEL	(HK\$12,118,969,000 – HK\$2,413,053,000) x 1%	97.1
In SHT	(HK\$9,482,473,000 x 0.254%) (Note 2)	<u>24.1</u>

Interest in Total		<u><u>121.2</u></u>
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#### Notes:

1. Based on the adjusted NAV of the Company of HK\$12,118,969,000 as at 31 December 2014.
2. The adjusted NAV of SHT after the Transaction will amount to HK\$9,482,473,000 being its adjusted NAV before the Transaction plus the attributable interest in the Property Interests in the amount of HK\$697,614,000. The shareholding 0.254% represents the proportionate interest in SHT Shares the 1% Shareholder to be received from the Proposal Distribution.

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## LETTER FROM THE BOARD

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Therefore MEL Shareholders experience no gain or loss from the Transaction but will enjoy a better corporate structure with advantageous reasons given above and in other parts of this circular.

SHT has undertaken that, before the Share Entitlement Note is issued and while any SHT Share remains to be issued pursuant to the Share Entitlement Note, it will not take any actions which will have a dilutive effect on the market price per share in SHT, including sub-division of SHT Shares, capitalization of profits or reserves, capital distributions in cash or specie and rights issues.

### **Share Entitlement Note**

#### *Issuer*

Duplexway Limited, a wholly-owned subsidiary of SHT

#### *Guarantor*

SHT

#### *Entitlement*

The Share Entitlement Note confers on the holder the Allotment Right. The Share Entitlement Note procured to be issued by SHT to the Company at Completion will carry an Allotment Right for 147,626,347 SHT Shares.

Any SHT Shares to be issued pursuant to the Share Entitlement Note will be issued credited as fully paid and rank pari passu in all respects among themselves and with all other SHT Shares outstanding as at the date of issue and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of issue.

#### *Transferability and exercise*

The Share Entitlement Note may be assigned once only upon consummation of the Proposed Distribution, and the Allotment Right thereunder is deemed to be automatically exercised upon such assignment, so that the relevant SHT Shares will be automatically issued to the relevant Shareholders. Accordingly, the Shareholders will not receive the Share Entitlement Note, but will receive SHT Shares directly, under the Proposed Distribution. However, any Share Entitlement Note assigned to SHT or any of its subsidiaries will be automatically cancelled and the Allotment Right thereunder will be automatically extinguished, and therefore they will not receive any SHT Shares under the Proposed Distribution. Specific mandate to issue shares under the Share Entitlement Note will be sought from SHT Shareholders at the SHT EGM.

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## LETTER FROM THE BOARD

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The issue and assignment of the Share Entitlement Note, the automatic exercise of the Allotment Right and issue of SHT Shares upon assignment of the Share Entitlement Note to MEL Independent Shareholders, the automatic cancellation and extinguishment of the Allotment Right upon assignment of the Share Entitlement Note to SHT Group and the Proposed Distribution will occur simultaneously upon Completion. As far as MEL Independent Shareholders are concerned, those whose names appear on the Company's register of members at the Record Date will receive their entitlement to the SHT Shares subject to Completion.

As the Share Entitlement Note is to be issued to the Company (which is not a connected person of SHT) in satisfaction of the consideration payable by SHT under the Transaction, any issue of SHT Shares (or as the case may be payment of the proceeds of sale of SHT Shares to the Excluded Shareholders) pursuant thereto upon distribution of the Share Entitlement Note by the Company to any Shareholder who happens to be a connected person of SHT will not constitute a connected transaction under the Listing Rules as the distribution is to be made by the Company and there is no transaction between SHT and such persons.

### *Validity period*

The Share Entitlement Note remains valid until the Allotment Right is or is deemed to be exercised or cancelled.

### *Listing*

No application will be made for the listing of the Share Entitlement Note. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, any new SHT Shares which may be issued pursuant to exercise of the Allotment Right.

### **Conditions to Completion**

Completion of the Transaction is conditional upon the fulfilment (or waiver, in certain cases as stated below) of the following Conditions:

- (a) the obtaining of all relevant third party consents or approvals by SHT as are necessary for the purpose of the Transaction;
- (b) the obtaining of all relevant third party consents or approvals by the Company, the Sale Companies and their subsidiaries as are necessary for the purpose of the Transaction;
- (c) there being no material breach of the warranties in or any other term of the Sale and Purchase Agreement on the part of the Company;
- (d) the obtaining of the approval of the MEL Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, the Proposed Distribution and the Special Cash Dividend at the MEL EGM;

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## LETTER FROM THE BOARD

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- (e) the obtaining of the approval of the shareholders of SHT in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder and the issue of the SHT Shares which may be issued pursuant to the Share Entitlement Note at the SHT EGM;
- (f) the obtaining of the approval of the shareholders of SHR in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder at the SHR EGM; and
- (g) approval being granted or agreed to be granted by the Stock Exchange for the listing of, and permission to deal in, all SHT Shares which may be issued pursuant to the Share Entitlement Note on terms and conditions satisfactory to SHT and the Company.

The Company may at any time waive in writing the Condition set out in (b) (in so far as consents and approvals in respect of the Company are concerned) above either in whole or in part and such waiver may be made subject to such terms and conditions as the Company may require. SHT may at any time waive in writing either of the Conditions set out in (a) and (c) above either in whole or in part and such waiver may be made subject to such terms and conditions as SHT may require. SHT and the Company may together waive by agreement in writing the Condition set out in (b) (other than in relation to consents and approvals in respect of the Company) above either in whole or in part and such waiver may be made subject to such terms and conditions as they may agree.

If any Condition has not been fulfilled or waived on or before 30 June 2015 (or such later date as is otherwise agreed between the parties in writing), the Sale and Purchase Agreement shall terminate and be of no further effect, and no party shall be entitled to any rights or benefits or be under any obligation under or in respect of the Sale and Purchase Agreement or have any liability to the other party, save in respect of any antecedent breach.

### **Warranties and indemnities**

Customary warranties (including those in relation to title to assets, record keeping and compliance with law and material contracts) have been given by the Company to SHT pursuant to the Sale and Purchase Agreement.

The Company has also warranted that, as at Completion, the total net assets value of Tennyland shall not be less than HK\$2,016,842,000 and the total net assets value of Trans-Profit shall not be less than HK\$388,054,000 and that the Shareholder's Loan of approximately HK\$132,334,000 shall be assigned in full to SHT.

### **Completion**

The Sale and Purchase Agreement provides that Completion will take place on the Completion Date.

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## LETTER FROM THE BOARD

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### 3. PROPOSED DISTRIBUTION AND SPECIAL CASH DIVIDEND

The Transaction is in substance a re-organization of the business of the Group and SHT Group for clear delineation of business. By the Proposed Distribution, Shareholders will receive SHT Shares which will own interests in commercial properties and through the Group interest in the hotels. The Proposed Distribution will end up Shareholders having the same position before and after the Transaction in terms of economic interest in the net assets (through holding SHT Shares which is principally engaged in commercial property investments and through the Group in hotel investments and operations plus maintaining original number of MEL Shares), therefore benefiting from the improved corporate structure and clear delineation of business. As part of the re-organization, the Board proposes to recommend for approval by MEL Independent Shareholders the Proposed Distribution. Out of the distribution of the entitlement to up to 147,626,347 SHT Shares, SHT or its subsidiaries would have an entitlement to up to 104,949,660 SHT Shares (based on their current holding of 6,360,585,437 MEL Shares). Such entitlement will be cancelled upon distribution to SHT Group and the SHT Shares relating thereto will not be allotted. Accordingly, only up to 42,676,687 SHT Shares will be allotted and issued to MEL Independent Shareholders. The 42,676,687 SHT Shares represent approximately 7.95% of the existing issued SHT Shares, or approximately 7.36% of the issued SHT Shares as enlarged by the issue of such SHT Shares.

The Record Date for the Proposed Distribution is Friday, 3 July 2015. Subject to satisfaction of the Conditions mentioned above, the Proposed Distribution will be made on 17 July 2015.

Fractional entitlements of less than one SHT Share will not be distributed under the Proposed Distribution to the Shareholders, but will be converted into SHT Shares and sold in the market for the benefit of the Company. Any SHT Shares attributable to entitlements of the Excluded Shareholders (other than fractional entitlements) under the Proposed Distribution will be sold and the proceeds thereof (less expenses) will be paid in cash to them. The Company will appoint an escrow agent or stock broker, who will be an independent third party, to whom the fractional entitlements of the SHT Shares will be issued upon Completion. The escrow agent or stock broker will be instructed to make a market order to dispose of the fractional entitlements as soon as practicable after it receives the SHT Shares. Based on the current register of members of the Company and the closing price of SHT shares quoted on the daily quotation sheet of the Stock Exchange on the Latest Practicable Date of HK\$3.35 per SHT Share, it is estimated that the total fractional entitlements will not be more than 1,000 SHT Shares and the market value will not be more than HK\$3,350. It is considered immaterial as far as the Company is concerned.

In order to alleviate the difficulties arising from the existence of odd lots of the SHT Shares as a result of the Proposed Distribution, SHT will at its own expense appoint an agent to provide matching services on a best effort basis to the Shareholders who wish to top up or sell their holdings of odd lots of the SHT Shares received under Proposed Distribution, the Company has appointed RaffAello Securities (HK) Limited as an agent to provide matching services on a best effort basis to the Shareholders who wish to top up or sell their holdings of

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## LETTER FROM THE BOARD

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odd lots of the Shares during the period from Friday, 17 July 2015 to Monday, 3 August 2015, both dates inclusive. Holders of the Shares in odd lots represented by the existing share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the SHT Shares or to top up their odd lots to a full new board lot may directly or through the broker contact Mr. Yu Kwan Lung of RaffAello Securities (HK) Ltd. at Room 2002, 20/F Tower Two, Lippo Centre, 89 Queensway, Hong Kong (telephone number: (852) 2545 7722) during office hours within such period. SHT shall bear the related brokerage. Holders of the SHT Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the SHT Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

In addition to the Proposed Distribution, the Board has resolved to recommend to the Shareholders for approval a special distribution of cash dividend in the amount of HK\$0.03 per MEL Share subject to the following conditions:

- (a) the obtaining of the approval of the MEL Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, the Proposed Distribution and the Special Cash Dividend at the MEL EGM; and
- (b) all Conditions to the completion of the Transaction having been fulfilled, or as the case may be waived.

If the Conditions referred to above are not fulfilled, the Special Cash Dividend will not be implemented. Subject to the fulfillment of the above conditions, in addition to the Proposed Distribution upon Completion, the Special Cash Dividend will be paid to the Shareholders whose names appear on the register of members of the Company at the Record Date. The Special Cash Dividend will be paid to the Shareholders at the same time with the Proposed Distribution. For the avoidance of doubt, unlike the Proposed Distribution, all Shareholders, including the Excluded Shareholders, as at the Record Date will be entitled to receive the Special Cash Dividend subject to satisfaction of the above conditions.

The Board is of the view that the Special Cash Dividend is beneficial to the Shareholders in the following ways:

- (a) The Special Cash Dividend provides an opportunity for the Shareholders to receive a substantial special cash distribution while maintaining their shareholdings in the Company which specializes in hotel investments and operations and also receiving share distribution in SHT which will own commercial offices and the same interest in the Company. The Transaction and the Special Cash Dividend provide an opportunity to return to the Shareholders a substantial part of their investment in the Shares.

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## LETTER FROM THE BOARD

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- (b) The Special Cash Dividend provides an additional incentive for the Shareholders to support the Transaction. The Special Cash Dividend will not result in any dilution effect on the Shareholders who will continue to enjoy the growth and development of the streamlined operations of the Group.

#### **4. THE REMAINING GROUP AND ITS FINANCIAL AND TRADING PROSPECTS**

Following Completion, the Company will remain a listed company.

The principal businesses of the Remaining Group are operation of hotels in Hong Kong and the PRC. The corporate strategy of the Group is to build hotels on grade B commercial locations which are most suitable for hotel business in terms of low acquisition costs and high yields. The Group benefits from the development of these hotels from good operating incomes, but most importantly is their capital value gain. The Group presently owns and operates six hotels including: (1) Ramada Hotel Kowloon, (2) Ramada Hong Kong Hotel, (3) Best Western Grand Hotel, (4) Best Western Hotel Causeway Bay, (5) Best Western Hotel Harbour View and (6) Magnificent International Hotel, Shanghai, with 1,823 rooms together with the new Best Western Grand City Hotel at Queen's Road West under development, the Group will have 2,037 hotel rooms which will be one of the largest hotel groups in Hong Kong.



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## LETTER FROM THE BOARD

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Set out below are certain financial information of each of the six operating hotels of the Group and the new hotel under development for each of the two financial years ended 31 December 2013 and 2014:

	Revenue		Profit before taxation		As at 31 December 2014		
	2014	2013	2014	2013	Net book value	Valuation	Revaluation Surplus
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1/Ramada Hotel Kowloon	76,647	78,512	36,588	38,985	390,497	1,250,000	859,503
2/Ramada Hong Kong Hotel	95,218	95,635	47,301	51,541	438,465	1,530,000	1,091,535
3/Best Western Grand Hotel	128,761	129,621	52,258	57,463	823,975	2,066,000	1,242,025
4/Best Western Hotel Causeway Bay	81,850	83,816	35,152	38,856	358,209	1,150,000	791,791
5/Best Western Hotel Harbour View	111,235	112,314	57,716	63,549	512,876	1,810,000	1,297,124
6/Magnificent International Hotel, Shanghai	21,318	18,733	3,456	1,729	87,010	399,000	311,990
7/Best Western Grand City Hotel at Queen's Road West (under development)	—	—	—	—	382,631	610,000	227,369
<b>Total</b>	<u>515,029</u>	<u>518,631</u>	<u>232,471</u>	<u>252,123</u>	<u>2,993,663</u>	<u>8,815,000</u>	<u>5,821,337</u>

In 2014 the travel industry had suffered lesser spending willingness from our largest PRC guests segment, probably due to the low economic cycle being encountered in the PRC. However, visitors coming to Hong Kong continued to grow by 12% in 2014 according to the Hong Kong Tourist Board. It is envisaged that the hotel business would be affected by the cash tight economic situation of our major guests segment, the PRC this year. However, the continuing increase of the number of visitors to Hong Kong by 12% and the competitive Hong Kong dollar will ensure the high hotels occupancies. The gradual improvement of the PRC economy and high local inflation will help to improve room rates. Despite the recent social sentiment against PRC parallel traders and the newly introduced limit of visit for once per week for Shenzhen residents, the Board expect these new development will not have any

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## LETTER FROM THE BOARD

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material adverse impact upon the Company since such types of visitors normally make day trips and do not require hotel accommodation services. The management of the hotels will endeavour to maintain the high occupancy and will also focus on obtaining higher room rates through continued improvement of services.

As regards new hotel development, the 214-room new hotel in the Western District is named the Best Western Grand City Hotel. Development of the hotel has been completed and it will commence commercial operation once the hotel license is granted. The recent launch of the Western MTR Line instantly provides more convenient mass transport to the new hotel and the other two hotels of the Group in the area which house around 1,000 rooms in total. In the Group's experience, access to mass transport is one of the key favorable factors for the choice of hotel by the target guests of the Group. Accordingly, the Board believes that the new Western MTR Line will improve future value and business of the three hotels significantly in the long term through increment in occupancies and room rates.

Look forward, operation of hotels in Hong Kong and the PRC will be challenging as a result of growing supply of hotel rooms and reduction of visitors from the PRC and the South East Asia. The management predicts the current difficulties will only be temporary and sometimes short-term tough operating and economic environment provides good opportunities for investment and expansion. After payment of the Interim Dividend, the Final Dividend and the Special Cash Dividend, the Group will still have approximately HK\$1,067 million cash in hand and a considerable amount of unutilized banking facilities. With the clear focus of business after the Transaction, the Group's experienced team of management and abundant financial resources, the Board believes that the Group is well positioned to overcome tough market environment and seek expansion to increase income when good hotel investment opportunities come and build the Remaining Group from strength to strength. The benefits of the re-organisation proposal and further acquisition of hotels will together improve the future income base of the Group and afford the Company to seek a dividend payout ratio comparable with other listed hotel groups.

### **5. REASONS FOR AND BENEFITS OF THE TRANSACTION**

Back in April 2013, the Company announced the disposal of part of its interest in Trans-Profit to SHT and SHR in exchange for funds for the development of its core hotel related business. After the opening of the Best Western Grand City Hotel in July 2015, the Group will have seven hotels with 2,037 hotel rooms in total and become one of the largest hotel groups in Hong Kong. The Directors therefore consider that it is the appropriate time to initiate the re-organisation through the Transaction given that the hotel related business of the Company is mature enough to be the standalone principal businesses of the Group.

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## LETTER FROM THE BOARD

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### Reasons for and benefits of the Transaction for the Company

The objectives of the Transaction are as follows:

***1/ Unlocking shareholder's value through greater transparency and coherence to business focus***

The Board believes that the Transaction will benefit the Company through disposal of the non-core assets, namely, the Property Interests. The Board believes that the current market price of MEL Shares does not fully reflect the value of its interest in the Property Interests and the hotel assets due to its existing corporate structure, and different valuation methodologies investors would normally apply to property investments and hotel operations. The Transaction will enhance the transparency of the assets of the Company and enable investors to adopt a single valuation methodology on the Company thereby unlocking value for Shareholders.

***2/ Enhancement of operation efficiency and management***

Following Completion, the business of the Group and SHT Group will be clearly delineated. The Group will focus on hotel operations and may devote its precious management resources in the further investment and development of the hotel business while the SHT Group will specialize in commercial property investments apart from investment holding in the Company. Through internal job realignments within the SHT Group and the Group after Completion, the leasing and management of commercial properties will be centralised and undertaken by a subsidiary of SHT. As such, it is expected costs saving will be achieved.

***3/ Aiming higher dividend payout ratio***

Following Completion, the Company will focus on hotel investments and hotel acquisitions to increase hotel related incomes and most importantly with an aim to increase dividend payout ratio comparable to other hotel groups listed on the Stock Exchange.

***4/ Maintaining economic interest in the unlisted Property Interests through holding listed SHT Shares after the Proposed Distribution***

Were it not for the Transaction, the SHT Group and the Group would have no immediate plan to dispose of the Property Interests. The Transaction provides an opportunity to the MEL Independent Shareholders to convert their indirect economic interests in the unlisted Property Interests into direct interest in listed SHT Shares while maintaining an economic interest in the Property Interests following Completion through holding the SHT Shares to be distributed under the Proposed Distribution.

It is estimated that upon Completion the Group would not recognize any material gain or loss on disposal of the Property Interests, since the consideration is set based on the fair value of the Property Interests which is equal to the carrying value of the Property Interests in the books of the Group.

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## LETTER FROM THE BOARD

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Both the Consideration and the issue price for the SHT Shares are based on the fair value of the Property Interest and the net asset of SHT. Accordingly, the Transaction is fair to all the Shareholders and SHT as a whole.

The Board believes that the terms of the Transaction are fair and reasonable and in the interests of the Shareholders as a whole in view of that the Consideration and the implied issue price of the SHT Shares are based on the fair value of the Sale Shares and the Shareholder's Loan and the adjusted net asset value of SHT.

### *Proposed new name of the Company*

It is proposed that subject to and after Completion, the Company will change its name to Magnificent Hotel Investments Limited to reflect the business profile of the Company after the re-organization.

### *Resumption of Payment of Dividend by SHT*

As disclosed in the Joint Announcement, the SHT Board intends to resume dividend payment by SHT and propose the adoption of a dividend payment policy in line with that of the Company after Completion of the re-organization.

## **6. FINANCIAL EFFECTS OF THE TRANSACTION**

Upon Completion, Houston Venture and Trans-Profit shall cease to be subsidiaries of the Company and the financial results, assets and liabilities of Houston Venture and Trans-Profit will not be consolidated into the accounts of the Group.

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

### **Earnings**

As stated in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group as set out in Appendix IV to this circular, the profit after taxation for the year ended 31 December 2014 would have been decreased from approximately HK\$914.9 million to HK\$805.1 million as if the Transaction had taken place on 1 January 2014, primarily attributable to the exclusion of the rental income generated from the 633 King's Road Property and Shun Ho Tower.

However, after the Transaction the Group will focus on hotel operations. The management will endeavor to enhance earnings through continued improvement of service and acquisitions when good investment opportunities for hotel property present.

### **Assets and liabilities**

As set out in Appendix IV to this circular, the unaudited pro forma consolidated statement of financial position of the Remaining Group illustrates the effect of the completion of the Transaction on the Group, assuming that the Transaction had taken place on 31 December

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## LETTER FROM THE BOARD

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2014. If the Transaction had been completed on 31 December 2014, the total assets of the Remaining Group as at 31 December 2014 would have been decreased from approximately HK\$7,276.0 million to approximately HK\$4,248.8 million primarily attributable to the divestment of the Property Interests. The total liabilities of the Remaining Group as at 31 December 2014 would have been decreased from approximately HK\$999.3 million to approximately HK\$759.9 million primarily attributable to the de-consolidation of the bank loans of approximately HK\$191.0 million and the advance from immediate holding company in the amount of approximately HK\$44.6 million following completion of the Transaction. The Remaining Group would have cash and cash equivalents of approximately HK\$877.1 million as at 31 December 2014 as if the Special Cash Dividend of approximately HK\$268.4 million had been paid out on 31 December 2014. In view of the strong cash position of the Group, the Directors do not consider that the payment of the Special Cash Dividend will have any material adverse impact on the cash position of the Company.

### **Gearing**

The Group's gearing ratio on the basis of the Group's bank loans as a percentage of total shareholders' equity was approximately 0.10 as at 31 December 2014. According to the unaudited pro forma consolidated statement of financial position of the Remaining Group as set out in Appendix IV to this circular, the unaudited pro forma gearing ratio of the Remaining Group would have been increased to approximately 0.12 as if the Transaction had been completed on 31 December 2014. This is primarily attributable to the decrease in the Remaining Group's total shareholders' equity as result of the Proposed Distribution and Special Cash Dividend offset by the decrease in bank loans arising from the de-consolidation of Houston Venture.

### **7. LISTING RULES IMPLICATIONS**

SHT is a holding company of the Company, and is therefore a connected person of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company. As one or more applicable percentage ratio(s) in respect of the Transaction exceeds 75%, the Transaction also constitutes a very substantial disposal of the Company. Therefore, for the Company, the Transaction is subject to the announcement, reporting and independent shareholders' approval requirements of Chapters 14 and 14A of the Listing Rules. A single resolution will be proposed at the MEL EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder and the Proposed Distribution and the Special Cash Dividend. As SHT has a material interest which is different from MEL Independent Shareholders so far as such matters are concerned, SHT and its associates will be required to abstain from voting at the MEL EGM on such resolution.

None of the directors of SHR, SHT and the Company attending the respective board meetings of the companies have abstained from voting on the resolutions approving the Transaction and the Proposed Distribution and Special Cash Dividend as neither of them or their associate have personal interest in the Transaction.

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## LETTER FROM THE BOARD

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As all independent non-executive directors of the Company are also independent non-executive directors of SHT, they are considered not to be independent to advise the MEL Independent Shareholders in respect of the resolution to approve the Transaction. Therefore, no independent board committee of the Company will be formed to make recommendations to the MEL Independent Shareholders in connection with the Transaction. Gram Capital has been appointed by the Company to advise the MEL Independent Shareholders in connection with the Transaction.

For SHT, since one or more applicable percentage ratio(s) in respect of the Transaction exceeds 25% but all applicable percentage ratios are less than 100%, the Transaction constitutes a major transaction for SHT. Therefore, for SHT, the Transaction is subject to the announcement, reporting and shareholders' approval requirements of Chapters 14 of the Listing Rules. In addition, specific mandate will be sought from SHT Shareholders for the issue of the SHT Shares which may fall to be issued under the Share Entitlement Note. SHR, through its wholly-owned subsidiaries Trillion Resources HK and Omnico Company Inc., is in control of more than 50% of the voting rights of SHT, has informed the SHT Board of SHR that Trillion Resources HK and Omnico Company Inc., which in aggregate beneficially own 291,404,489 SHT Shares, representing approximately 54.26% of the issued SHT Shares, would vote in favour of any resolution to approve the Transaction. Trillion Resources HK and Omnico Company Inc and their respective associates do not have any interest in the Transaction which is different from those of other shareholders of SHT.

For SHR, since one or more applicable percentage ratio(s) in respect of the Transaction exceeds 100%, the Transaction constitutes a very substantial acquisition for SHR. Therefore, for SHR, the Transaction is subject to the announcement, reporting and shareholders' approval requirements of Chapters 14 of the Listing Rules. Mr. William Cheng Kai Man, the Chairman of the SHR Board, who is, through Trillion Resources BVI, in control of more than 50% of the voting rights of SHR, has informed the SHR Board that Trillion Resources BVI (which is wholly-owned by Mr. William Cheng Kai Man), which beneficially owns 154,006,125 SHR Shares, representing approximately 50.60% of the entire issued shares of SHR, would vote in favour of any resolution to approve the Transaction. Trillion Resources BVI or its associates do not have any interest in the Transaction which is different from those of other shareholders of SHR.

Following Completion, SHT will remain a non wholly-owned subsidiary of SHR and the SHR Group will own approximately 50.26% of its equity interests. As one or more of the applicable percentage ratios of the Deemed Disposal exceeds 5% but do not exceed 25%, the Deemed Disposal constitute a discloseable transaction for SHR under Chapter 14 of the Listing Rules and will be subject to the notification and announcement requirements under the Listing Rules.

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## LETTER FROM THE BOARD

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### 8. BOOK CLOSURE

Shareholders should note that there are various book closure periods and deadlines for lodging transfers during the period from June to July 2015 in order to determine the entitlements to the Interim Dividend, the Final Dividend, the Proposed Distribution, the Special Cash Dividend and the rights to attend and vote at the AGM and EGM. If there are any doubts as to the action to be taken, Shareholders should consult their stockbroker or other registered dealer in securities or other professional advisers.

The Board has recommended the payment of a final dividend of HK0.575 cent per Share for the year ended 31 December 2014 and will be payable on 17 July 2015 to Shareholders whose names appear on the register of members of the Company on 3 July 2015. With reference to the announcement of 2014 interim results of the Company dated 14 August 2014, Shareholders are reminded that the Interim Dividend of HK0.2 cent per Share for the six months ended 30 June 2014 is also payable on 17 July 2015 to Shareholders whose names appear on the register of members of the Company on 3 July 2015.

To ascertain Shareholders' eligibility to attend and vote at the EGM (which is to be held on Friday, 12 June 2015) and the AGM (which is to be held on Thursday, 18 June 2015), the register of members will be closed from Thursday, 11 June 2015 to Thursday, 18 June, 2015, both dates inclusive, during which period no transfer of MEL Shares will be registered. In order to be eligible to attend and vote at the EGM and the AGM, all transfers of Shares accompanied by the relevant Share certificates must be lodged with the Company's Share Registrars, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 10 June 2015. The register of members of the Company will be closed during the period from 11 June 2015 to 18 June 2015 (both days inclusive) for determination of entitlements to attend and vote at the AGM and EGM. For the avoidance of doubt, the register of members will remain closed after the EGM and will re-open on 19 June 2015 after the AGM.

Subject to the approval of the Shareholders at the AGM for the proposed Final Dividend, the register of members of the Company will be closed from Monday, 29 June 2015 to Friday, 3 July, 2015, both dates inclusive, during which period no transfer of MEL Shares will be registered, for the purpose of ascertaining Shareholders' entitlement to the proposed Final Dividend. In order to qualify for the proposed Final Dividend, all transfers of Shares accompanied by the relevant Share certificates must be lodged with Company's Share Registrars, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 26 June 2015.

Subject to the approval of the MEL Independent Shareholders at the EGM for the Proposed Distribution and Special Cash Dividend, the register of members of the Company will be closed from Monday, 29 June 2015 to Friday, 3 July, 2015, both dates inclusive, during which period no transfer of MEL Shares will be registered, for the purpose of ascertaining Shareholders' entitlement to the Proposed Distribution and Special Cash Dividend. In order to qualify for the Proposed Distribution and Special Cash Dividend, all transfers of MEL Shares



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## LETTER FROM THE BOARD

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accompanied by the relevant Share certificates must be lodged with Company's Share Registrars, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 26 June 2015. Subject to the satisfaction of the conditions of payment the Proposed Distribution and Special Cash Dividend are also payable on Friday, 17 July 2015.

Shareholders should note that despite the fact that the Proposed Distribution and the Special Cash Dividend have the same Record Date, book closure period and payment date as the Interim Dividend and the Final Dividend, the payment of the Interim Dividend and Final Dividend are not subject to the satisfaction of the conditions to the payment of the Proposed Distribution and Special Cash Dividend.

### **9. THE EGM**

Set out on pages 88 to 90 of this circular is a notice convening the EGM to be held at 3rd Floor, Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong on Friday, 12 June 2015 at 9:00 a.m. at which an ordinary resolution will be proposed and, if thought fit, passed to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, the Proposed Distribution and the Special Cash Dividend.

SHT and its associates are required to abstain from voting on the resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder, the Proposed Distribution and the Special Cash Dividend which will be taken by poll. Save as disclosed above, to the best knowledge, information and belief of the Directors, no Shareholders are required to abstain from voting at the EGM under the Listing Rules.

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. DESPATCH OF SHT SHARE CERTIFICATES**

Subject to Completion having occurred, the share certificates for the SHT Shares representing the Proposed Distribution are currently expected to be despatched to the Shareholders on Friday, 17 July 2015. In the absence of any specific instructions to the contrary received in writing by the share registrar of the Company before the register of members of the Company is closed for determination of entitlements to the Proposed Distribution, the share certificates for the SHT Shares representing the Proposed Distribution will be sent by ordinary mail to the Shareholders whose names appear on the register of members of the Company at the Record Date at their respective addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first on the register of members of the Company in respect of the joint holding. All such share certificates will be sent at the risk of the persons entitled thereto and neither the Company nor SHT will be liable for any loss or delay in transmission.



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## LETTER FROM THE BOARD

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### 11. EXCLUDED SHAREHOLDERS

The making of the Proposed Distribution to those Shareholders not residing in Hong Kong may be subject to the laws and regulations of other jurisdictions. Such Shareholders should observe and inform themselves of any applicable legal or regulatory requirements in their respective jurisdictions. It is the responsibility of such Shareholders to satisfy themselves as to the full observance of the laws and regulatory requirements of the relevant jurisdictions in connection therewith, including the obtaining of any governmental or exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions.

Where the Board, after making enquiries regarding the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place where practicable, consider the exclusion of a Shareholder whose addresses as shown on the register of members of the Company on the Record Date for the Proposed Distribution is in a place outside Hong Kong under the Proposed Distribution is necessary or expedient (e.g. where the Board has been advised that the allotment and issue of the SHT Shares by SHT to an Excluded Shareholder may be prohibited by any relevant law or so prohibited except after compliance with conditions or requirements which the Board regards as unduly onerous by reason of delay, expense or otherwise), the Board may assign the relevant entitlement (other than fractional entitlement) under the Share Entitlement Note to a person or company to be selected by the Directors, such that the relevant SHT Shares will be issued to that person or company and that person or company will sell the same in the market as soon as reasonably practicable. The net proceeds of sale (less expenses) will be paid in cash to the relevant Excluded Shareholder in full satisfaction of his rights to the SHT Shares to which he would have been entitled under the Proposed Distribution. The person or company to be selected by the Directors will sell the relevant SHT Shares in the market as soon as reasonably practicable on or after the date on which the share certificates for SHT Shares are despatched to the other Shareholders (which date is currently expected to be Friday, 17 July 2015) at such price(s) as may reasonably be obtained in the market. The net proceeds of sale, after deduction of expenses, will be sent by cheque via ordinary mail to the relevant Excluded Shareholder at his own risk within 14 days after any such sale but in any event within 28 days after the date of Completion. In the absence of bad faith or wilful default, none of the Company, SHT, SHR, any person or company selected by the Company to effect such sale or any broker or agent of any of them shall have any liability for any loss arising as a result of the timing or terms of any such sale.

As at the Latest Practicable Date, the Company had certain Shareholders whose addresses as shown on its register of members were located outside Hong Kong and there were eight Shareholders with registered addresses in four jurisdictions outside Hong Kong shown on the register, namely, the People's Republic of China, Macau, Canada and the USA.

Based on the advice provided by the legal advisers on the laws of the People's Republic of China, it would be lawful for the Company to make the Proposed Distribution to those Shareholders with registered addresses in the People's Republic of China, even though no registration relating to the Proposed Distribution will be made in the People's Republic of China. Therefore, the Directors will extend the Proposed Distribution to such overseas Shareholders with registered addresses located in the People's Republic of China as shown on the register of members of the Company on the Record Date.

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## LETTER FROM THE BOARD

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After making due enquiries on the laws of Macau and, it would be lawful for the Company to make the Proposed Distribution to those Shareholders with registered addresses in Macau or the People's Republic of China, even though no documents relating to the Proposed Distribution will be registered in Macau or the People's Republic of China. Therefore, the Directors will extend the Proposed Distribution to such overseas Shareholders with registered addresses located in Macau or the People's Republic of China as shown on the register of members of the Company on the Record Date.

After making due enquiries on the laws of the USA and Canada and having regard the likely costs and time involved if overseas compliance were to be observed, the Company is of the opinion that it would be necessary or expedient to exclude such overseas Shareholder whose registered address is in the USA or Canada as shown on the register of members of the Company on the Record Date. Accordingly, an overseas Shareholder whose registered address is in the USA or Canada will be regarded as an Excluded Shareholder.

### **12. TAXATION**

Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Transaction and, in particular, whether the receipt of the Proposed Distribution and/or the Special Cash Dividend would make such Shareholder liable to taxation in Hong Kong or in other jurisdictions.

### **13. PRINCIPAL BUSINESSES OF THE GROUP AND THE SHT GROUP**

The Group is principally engaged in property investment, property development and leasing, investment in and operation of hotels.

SHT Group is principally an investment holding company. Through its major subsidiary, MEL, SHT is principally engaged in property investment, property development and leasing, investment in and operation of hotels.

### **14. RECOMMENDATION**

The Boards consider that the Transaction 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 Directors would recommend that all Shareholders to vote in favour of the Disposal and the Sale and Purchase Agreement at the MEL EGM.

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## LETTER FROM THE BOARD

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### 15. ADDITIONAL INFORMATION

Your attention is drawn to the letter of advice from Gram Capital to the MEL Independent Shareholders in respect of the terms of the Transaction and the information set out in the appendices to this circular.

**Shareholders and potential investors should note that the Transaction, the Proposed Distribution and the Special Cash Dividend may or may not proceed as they are subject to a number of conditions, which may or may not be fulfilled. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

Yours faithfully,  
By Order of the Board  
**Magnificent Estates Limited**

**William CHENG Kai Man**  
*Chairman*

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## LETTER FROM GRAM CAPITAL

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*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the MEL Independent Shareholders in respect of the Transaction for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

28 May 2015

*To: The independent shareholders of Magnificent Estates Limited*

Dear Sirs,

**GROUP REORGANISATION OF SHUN HO GROUP'S INTERESTS  
IN COMMERCIAL PROPERTIES  
VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION AND  
PROPOSED DISTRIBUTION AND SPECIAL CASH DIVIDEND**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the MEL Independent Shareholders in respect of the Transaction, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 28 May 2015 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 25 March 2015, the Company and SHT entered into the Sale and Purchase Agreement, pursuant to which SHT agrees to acquire from the Group the Property Interests, being the Company’s entire 100% interest in 633 King’s Road Property and 68% interest in Shun Ho Tower, through acquisition of its interests in the Sale Companies and the Shareholder’s Loan. Subsequently, the Board further resolved to recommend to the Shareholders for approval of distribution of the Special Cash Dividend of HK\$0.03 per Share. The Company and SHT entered into a supplemental agreement dated 13 April 2015 to the Sale and Purchase Agreement to include the said approval as a condition precedent to Completion.

Based on the appraised value of the Property Interests, the Consideration is set at approximately HK\$2,413 million. The Consideration shall be satisfied by the issue to the Company of the Share Entitlement Note, which shall confer on the holder the right to call for the issue by SHT of 147,626,347 SHT Shares credited as fully paid.

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## LETTER FROM GRAM CAPITAL

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According to the Board Letter, the Transaction is an effective re-organisation of the SHR Group comprising the SHT Group and the Group and will unlock shareholder's value for the Shareholders through streamlining the business of the Company. The Transaction will result in the Company becoming a listed company focusing on the investments, developments, management and operation of hotels and the SHT Group specialising in commercial property investments while maintaining its investment in hotel assets through investment holding of the Company.

As part of the re-organisation, the Board also proposed to recommend for approval by the Shareholders the distribution of the entitlement to 0.0165 SHT Share to be allotted under the Share Entitlement Note for each Share upon Completion. Out of the distribution of the entitlement to up to 147,626,347 SHT Shares, SHT or its subsidiaries would have an entitlement to up to 104,949,660 SHT Shares (based on their current holding of 6,360,585,437 Shares). Such entitlement will be cancelled upon distribution to the SHT Group and the SHT Shares relating thereto will not be allotted. Accordingly, only up to 42,676,687 SHT Shares will be allotted and issued to the MEL Independent Shareholders, representing approximately 7.36% of the issued share capital of SHT as enlarged by the issue of such SHT Shares.

Under Chapters 14 and 14A of the Listing Rules, the Transaction constitutes a very substantial disposal and connected transaction for the Company, and is therefore subject to approval by the MEL Independent Shareholders at the EGM. As all independent non-executive Directors are independent non-executive directors of SHT, they are considered not to be independent to advise the MEL Independent Shareholders in respect of the resolution to approve the Transaction. Therefore, no independent board committee of the Company is formed to make recommendations to the MEL Independent Shareholders in connection with the Transaction.

We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the MEL Independent Shareholders on (i) whether the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the MEL Independent Shareholders are concerned; (ii) whether the Transaction is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the MEL Independent Shareholders should vote in respect of the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

### **BASIS OF OUR OPINION**

In formulating our opinion to the MEL Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular

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## LETTER FROM GRAM CAPITAL

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were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Transaction. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made an independent evaluation or appraisal of the assets and liabilities of either the Group, 633 King's Road Property or Shun Ho Tower, and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation report dated 28 May 2015 prepared by DTZ Debenham Tie Leung Limited (the "**Valuer**") in respect of 633 King's Road Property and Shun Ho Tower (the "**Valuation Report**") as contained in Appendix V to the Circular. The Valuation Report was prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors and the requirements as stipulated under Chapter 5 of the Listing Rules. We are not experts in the valuation of properties and therefore have relied solely upon the Valuation Report for the market value of each of 633 King's Road Property and Shun Ho Tower as at 31 March 2015 (the "**Valuation**").

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Houston Venture, SHR, SHT, Tennyland, Trans-Profit or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering into of the Sale and Purchase Agreement and the relevant supplemental agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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## LETTER FROM GRAM CAPITAL

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Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transaction, we have taken into consideration the following principal factors and reasons:

#### 1. Background of and reasons for the Transaction

##### *Business overview of the Group*

The Group is principally engaged in property investment, property development and leasing, investment in and operation of hotels.

Set out below are the audited consolidated financial results of the Group for the two years ended 31 December 2014 as extracted from the Company's annual report for the year ended 31 December 2014 (the "2014 Annual Report"):

	For the year ended 31 December		Year on year
	2014	2013	change
	HK\$'000	HK\$'000	%
Revenue	648,423	688,736	(5.9)
– Income from operation of hotels	529,287	582,935	(9.2)
– Income from properties rental	118,909	105,801	12.4
– Dividend income	227	–	N/A

For the year ended 31 December 2014, the Group's revenue were mostly derived from the aggregate income from operation of hotels. With reference to the 2014 Annual Report, the corporate strategy of the Group is to build hotels on grade B commercial locations which are most suitable for hotel business in terms of low acquisition costs and high yields. The Group benefits from the development of those hotels from good operating incomes, but most important is their capital value gain. The Group presently owns and operates six hotels, five of which are located in Hong Kong and the remaining is located in Shanghai, the PRC.

As advised by the Directors, the Group proposed to open a new hotel, being the Best Western Grand City Hotel, at Nos. 338 Queen's Road West, Hong Kong in July 2015. The Directors expect that the connection of the Western MTR Line will significantly benefit the Group's existing two hotels in operation and the said new hotel under development in the Western District of Hong Kong.

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## LETTER FROM GRAM CAPITAL

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As for properties rental income, with reference to the 2014 Annual Report, the properties rental income was derived from the Group's office buildings of 633 King's Road Property (approximately HK\$89.4 million for the year ended 31 December 2014), Shun Ho Tower (approximately HK\$20.5 million for the year ended 31 December 2014) and shops at certain of the Group's hotels (approximately HK\$9.0 million for the year ended 31 December 2014). The Directors expect that the rental income from such properties will have modest increase in 2015.

### **Information on Houston Venture, Tennyland, Trans-Profit and the Property Interests**

The Transaction involves the acquisition by SHT from the Group the Property Interests, being the Group's entire 100% interest in 633 King's Road Property and 68% interest in Shun Ho Tower, through the acquisition of the Sale Shares together with the Shareholder's Loan.

The Sale Companies, whose principal business activity is investment holding in the Property Interests, are subsidiaries of the Company. Houston Venture is a wholly-owned subsidiary of the Company and it is also interested in the entire equity interest in Tennyland, which holds 100% interest in 633 King's Road Property. 633 King's Road Property is a 31-storey commercial building with carparks located at 633 King's Road, North Point, Hong Kong with a total gross floor area of 258,384 square feet ("sq.ft."). As advised by the Directors, the property is held by the Group as investment property which yielded rental income of approximately HK\$73.9 million and HK\$89.4 million for the years ended 31 December 2013 and 2014, respectively.

As at the Latest Practicable Date, Houston Venture also held other assets which are unrelated to the Property Interests through three wholly-owned subsidiaries, namely the Excluded Companies. Pursuant to the Sale and Purchase Agreement, Houston Venture shall transfer or dispose of its entire interests in the Excluded Companies on or before Completion to the Company or any of its wholly-owned subsidiaries. Accordingly, upon Completion, Houston Venture's principal asset is its 100% interest in Tennyland.

Set out below is the unaudited consolidated financial information of Houston Venture for the two years ended 31 December 2014:

	<b>For the year ended 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year from continuing operations	81,238	318,882 ( <i>Note</i> )
Profit for the year from discontinued operations	627,656	28,962



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## LETTER FROM GRAM CAPITAL

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	<b>As at 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets	2,026,318	2,184,717

*Note: Included an increase in fair value of investment properties of approximately HK\$263,232,000.*

Set out below is the audited financial information of Tennyland for the two years ended 31 December 2014:

	<b>For the year ended 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	93,656	328,197
Profit after taxation	79,863	314,225

	<b>As at 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets	2,016,842	1,936,980

Set out below is the unaudited financial information of Trans-Profit for the two years ended 31 December 2014:

	<b>For the year ended 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	33,481	21,798
Profit and total comprehensive income for the year	30,937	19,841

	<b>As at 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets	388,054	469,551

### **Information on the Remaining Group**

Following Completion, the Company will remain a listed company. The principal businesses of the Remaining Group are operation of hotels in Hong Kong and the PRC. As aforementioned, the corporate strategy of the Group is to build hotels on grade B commercial locations which are most suitable for hotel business in terms of low acquisition costs and high yields. The Group benefits from the development of those hotels from good operating incomes, but most important is their capital value gain. The Group presently owns and operates six hotels in Hong Kong and the PRC, and one new hotel located in Hong Kong is under development.

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## LETTER FROM GRAM CAPITAL

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Shareholders may also refer to the section headed “The Remaining Group and its financial trading prospects” of the Board Letter for the financial information of each of the six operating hotels of the Group and the new hotel under development for the two years ended 31 December 2014.

Looking forward, the Directors are of the view that operation of hotels in Hong Kong and the PRC will be challenging as a result of growing supply of hotel rooms and reduction of visitors from the PRC and the South East Asia. Nonetheless, the Directors expect that the current difficulties will only be temporary and sometimes short-term tough operating and economic environment provides good opportunities for investment and expansion. Moreover, with the clear focus of business after the Transaction, the Group’s experienced team of management and abundant financial resources, the Board believes that the Group is well positioned to overcome tough market environment and seek expansion to increase income when good hotel investment opportunities come and build the Remaining Group from strength to strength.

The Sale Companies and their subsidiaries will cease to be subsidiaries of the Company following Completion. The Sale Companies will continue to be subsidiaries of SHT and in turn indirect subsidiaries of SHR following Completion. Shareholders may refer to the section headed “The Sale and Purchase Agreement” of the Board Letter for the simplified corporate structures of the SHR Group as at the Latest Practicable Date and upon Completion. As extracted from the said section of the Board Letter, in June 2000, SHT announced the proposed acquisition of further shares of the Company which resulted in the Company becoming a subsidiary of SHT from an associated company before the acquisition. Over the years, SHT had further increased its shareholding in the Company. On 26 April 2013, the Company announced the sale of 7% interest and 25% interest in Trans-Profit to SHR and SHT respectively. The current group structure of the SHR Group depicted in the said section primarily took shape since then.

### **The Proposed Distribution**

Pursuant to the Sale and Purchase Agreement, the Consideration shall be satisfied by the issue to the Company of the Share Entitlement Note, which shall confer on the holder the right to call for the issue by SHT of 147,626,347 SHT Shares credited as fully paid.

Therefore, as part of the re-organisation, the Board also proposes to recommend for approval by the Shareholders the distribution of the entitlement to 0.0165 SHT Share to be allotted under the Share Entitlement Note for each Share upon Completion. Out of the distribution of the entitlement to up to 147,626,347 SHT Shares, SHT or its subsidiaries would have an entitlement to up to 104,949,660 SHT Shares (based on their current holding of 6,360,585,437 Shares). Such entitlement will be cancelled upon distribution to the SHT Group and the SHT Shares relating thereto will not be allotted. Accordingly, only up to 42,676,687 SHT Shares will be allotted and issued to the MEL Independent Shareholders, representing approximately 7.36% of the issued share capital of SHT as enlarged by the issue of such SHT Shares.

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## LETTER FROM GRAM CAPITAL

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All in all, through the Proposed Distribution, the MEL Independent Shareholders will receive SHT Shares which will own interests in commercial properties.

### **Reasons for the Transaction**

As advised by the Directors, back in April 2013, the Company announced the disposal of part of its interest in Trans-Profit to SHT and SHR in exchange for funds for, amongst others, the development of its core hotel related business. After the proposed opening of the Best Western Grand City Hotel in July 2015, the Group will have seven hotels with 2,037 hotel rooms in total and become a sizeable hotel group in Hong Kong. The Directors therefore consider that this is the appropriate time to initiate the re-organisation through the Transaction given that the hotel related business of the Company is mature enough to be the standalone principal businesses of the Group.

As further extracted from the Board Letter, the objectives of the Transaction are as follows:

***(1) Unlocking Shareholder's value through greater transparency and coherence to business focus***

The Board believes that the Transaction will benefit the Company through disposal of the non-core assets, namely, the Property Interests. The Board believes that the current market price of the Shares does not fully reflect the value of its interest in the Property Interests and the hotel assets due to its existing corporate structure, and different valuation methodologies investors would normally apply to property investments and hotel operations. The Transaction will enhance the transparency of the Company's assets and enable investors to adopt a single valuation methodology on the Company thereby unlocking value for the Shareholders.

***(2) Enhancement of operation efficiency and management***

Following Completion, the business of the Group and the SHT Group will be clearly delineated. The Group will focus on hotel operations and may devote its precious management resources in the further investment and development of the hotel business while the SHT Group will specialise in commercial property investments apart from investment holding in the Company. Through internal job realignments within the SHT Group and the Group after Completion, the leasing and management of commercial properties will be centralised and undertaken by a subsidiary of SHT. As such, it is expected costs saving will be achieved.

***(3) Aiming higher dividend payout ratio***

Following Completion, the Company will focus on hotel investments and hotel acquisitions to increase hotel related incomes and most importantly, with an aim to increase dividend payout ratio comparable to other hotel groups listed on the Stock Exchange.

***(4) Maintaining economic interest in the unlisted Property Interests through holding the listed SHT Shares after the Proposed Distribution***

Were it not for the Transaction, the SHT Group and the Group would have no immediate plan to dispose of the Property Interests. The Transaction provides an opportunity to the MEL Independent Shareholders to convert their indirect economic interests in the unlisted Property

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## LETTER FROM GRAM CAPITAL

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Interests into direct interest in listed SHT Shares while maintaining an economic interest in the Property Interests following Completion through holding the SHT Shares to be distributed under the Proposed Distribution.

Taking into account that as represented by the Directors this is the appropriate time to carry out the Transaction which (i) is an effective re-organisation of the SHR Group comprising the SHT Group and the Group and will unlock shareholder's value for the Shareholders through streamlining the business of the Company; and (ii) will result in the Company becoming a listed company focusing on the investments, developments, management and operation of hotels, and the SHT Group specialising in commercial property investments while maintaining its investment in hotel assets through investment holding of the Company, we consider that the Shareholders would likely to be benefited from the improved corporate structure and clearer delineated business of the Group and the SHT Group as just illustrated. Hence, we also concur with the Directors that the Transaction is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

### **2. Principal terms of the Sale and Purchase Agreement**

On 25 March 2015 (the "**Agreement Date**"), the Company and SHT entered into the Sale and Purchase Agreement, pursuant to which SHT agrees to acquire from the Group the Property Interests, being the Company's entire 100% interest in 633 King's Road and 68% interest in Shun Ho Tower, through acquisition of its interests in the Sale Companies and the Shareholder's Loan. A supplemental agreement was subsequently entered into by the parties to the Sale and Purchase Agreement on 13 April 2015.

#### **The Consideration**

Under the Sale and Purchase Agreement, the Company will sell to SHT its entire 100% interest in Houston Venture for a consideration of approximately HK\$2,016.8 million (the "**HV Consideration**") and procure the sale of its entire 68% indirect interest in Trans-Profit together with the Shareholder's Loan for a consideration of approximately HK\$396.2 million (the "**TP Consideration**").

#### *Analyses on the Consideration*

The HV Consideration represents the net asset value of Tennyland (taking into account the appraised value of 633 King's Road Property) as at 31 December 2014 (i.e. approximately HK\$2,016.8 million) whereas the TP Consideration represents the aggregate of the Company's 68% attributable interest in the net asset value of Trans-Profit (taking into account the appraised value of Shun Ho Tower) as at 31 December 2014 (100% of which is approximately HK\$388.1 million and 68% of which is approximately HK\$263.9 million) and the Shareholder's Loan which amounted to approximately HK\$132.3 million as at 31 December 2014.

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## LETTER FROM GRAM CAPITAL

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### *The Valuation*

To assess the fairness and reasonableness of the Consideration, we have reviewed the Valuation Report and discussed with the Valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the Valuation. In the course of our discussion, we noted that the Valuer carried out a site visit to 633 King's Road Property and Shun Ho Tower on 23 April 2015 to research for the necessary information for determining the market value of each of 633's King's Road Property and Shun Ho Tower. Based on the Valuation Report, the Valuer have adopted the investment approach with reference to comparable sales evidence as available in the market for the Valuation. As further confirmed by the Valuer, the investment approach is commonly adopted for valuation of commercial properties in Hong Kong and is also consistent with normal market practice. For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for conducting the Valuation. From the mandate letter and other relevant information provided by the Valuer and based on our interview with them, we are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for preparation of the Valuation Report. The Valuer have also confirmed that they are independent to the Group, the SHR Group as well as the SHT Group.

Further details regarding the basis and assumptions of the Valuation are included in the Valuation Report as contained in Appendix V to the Circular. During our discussion with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for or the information used in the Valuation. Nevertheless, Shareholders should note that valuation of assets or properties usually involves assumptions and therefore the Valuation may or may not reflect the true market values of 633 King's Road Property and Shun Ho Tower accurately.

In view of that (i) the Consideration is set with reference to the net asset values of Tennyland and Trans-Profit, having taken into account the Valuation which has been fairly and reasonably determined by the Valuer; and (ii) the Shareholder's Loan will be assigned to SHT on a dollar-to-dollar basis, we are of the opinion that the Consideration is on normal commercial terms and is fair and reasonable so far as the MEL Independent Shareholders are concerned.

### **The Share Entitlement Note**

The Consideration will be satisfied by the issue to the Company of the Share Entitlement Note, which shall confer on the holder the right to call for the issue by SHT of 147,626,347 SHT Shares credited as fully paid. The SHT Shares to be issued pursuant to the Share Entitlement Note implies an issue price of approximately HK\$16.35 per SHT Share (the "**Issue Price**").

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## LETTER FROM GRAM CAPITAL

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As referred to in the Board Letter, the net assets excluding non-controlling interests before revaluation on all property assets of the SHT Group as at 31 December 2014 amounted to approximately HK\$4,631,277,000. The net assets excluding non-controlling interests after revaluation on all property assets of the SHT Group as at 31 December 2014 amounted to approximately HK\$8,784,859,000, taking into account the revaluation of the property assets of the Group in which the SHT Group has an approximate 71.09% attributable interest. The revaluation surplus of the property assets totaled approximately HK\$5,842,593,000 comprising (i) approximately HK\$5,821,337,000 from the six operating hotels and the new hotel under development of the Group; and (ii) approximately HK\$21,256,000 from the portion of Shun Ho Tower retained for own use as office of the SHR Group. As further referred to in the Board Letter, such property assets are classified as fixed assets and their carrying amounts are not marked to valuation in accordance with the Hong Kong Financial Reporting Standards. The adjusted net asset value per SHT Share as at 31 December 2014 was approximately HK\$16.36, which is slightly higher than the Issue Price.

The Share Entitlement Note confers on the holder the Allotment Right. The Share Entitlement Note procured to be issued by SHT to the Company at Completion will carry an Allotment Right for 147,626,347 SHT Shares. The Share Entitlement Note may be assigned once only upon consummation of the Proposed Distribution, and the Allotment Right thereunder is deemed to be automatically exercised upon such assignment, so that the relevant SHT Shares will be automatically issued to the relevant holders. Accordingly, the Shareholders will not receive the Share Entitlement Note, but will receive SHT Shares directly, under the Proposed Distribution.

The issue and assignment of the Share Entitlement Note, the automatic exercise of the Allotment Right and issue of SHT Shares upon assignment of the Share Entitlement Note to the MEL Independent Shareholders, the automatic cancellation and extinguishment of the Allotment Right upon assignment of the Share Entitlement Note to the SHT Group and the Proposed Distribution will occur simultaneously upon Completion.

SHT has undertaken that, before the Share Entitlement Note is issued and while any SHT Share remains to be issued pursuant to the Share Entitlement Note, it will not take any actions which will have a dilutive effect on the market price per SHT Share, including sub-division of the SHT Shares, capitalisation of profits or reserves, capital distributions in cash or specie and rights issues.

### *Analyses on the Share Entitlement Note*

We noted that since the exchange ratio for SHT Shares conferred under the Share Entitlement Note and the Consideration are all based on the appraised value of the underlying assets, the Transaction as represented by the Directors will end up the MEL Independent Shareholders having the same position before and after the Transaction in terms of economic interest in the appraised value of the net assets (through holding SHT Shares which is principally engaged in commercial property investments and through the Group in hotel investments and operations plus maintaining original number of the Shares).

Furthermore, the Transaction and the Proposed Distribution provide an opportunity to the MEL Independent Shareholders to convert their indirect economic interests in the unlisted Property Interests into direct interest in listed SHT Shares while maintaining an economic interest in the Property Interests following Completion through holding the SHT Shares to be distributed under the Proposed Distribution.

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## LETTER FROM GRAM CAPITAL

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(i) *Hypothetical value to the MEL Independent Shareholders*

As aforementioned, the Transaction as represented by the Directors will end up the MEL Independent Shareholders having the same position before and after the Transaction in terms of economic interest in the appraised value of the net assets (through holding SHT Shares which is principally engaged in commercial property investments and through the Group in hotel investments and operations plus maintaining original number of the Shares). For illustrative purpose, based on the existing 8,947,051,324 Shares in issue as at the Agreement Date, the value of the Proposed Distribution and the Remaining Group are as follows:

<b>Value of the Proposed Distribution</b>		
Total number of SHT Shares	147,626,347 shares	(a)
Average price of SHT Shares ( <i>Note 1</i> )	HK\$2.118	(b)
	HK\$312,672,603	(c) = (a) * (b)
<b>Value of the Remaining Group</b>		
Net asset value of the Group (excluding the Sales Companies) attributable to the Shareholders ( <i>Note 2</i> )	HK\$9,588,000,000	(d)
<b>Value of the Proposed Distribution and the Remaining Group in aggregate</b>		
	<b>HK\$9,900,672,603</b>	<b>(e) = (c) + (d)</b>
Total number of the Shares	8,947,051,324 shares	(f)
Total value per Share	HK\$1.107	(g) = (e) / (f)
Average price of the Shares ( <i>Note 3</i> )	HK\$0.326	(h)
Premium	240%	((g) - (h)) / (h)
Book value per Share as at 31 December 2014 ( <i>Note 4</i> )	HK\$0.702	(i)
Premium	58%	((g) - (i)) / (i)

*Notes:*

- (1) Being the average closing price of SHT Shares from 1 January 2015 up to the Agreement Date (both dates inclusive).
- (2) Based on information provided by the Company.
- (3) Being the average closing price of the Shares from 1 January 2015 up to the Agreement Date (both dates inclusive).
- (4) Based on the audited consolidated net assets of the Company as at 31 December 2014 and the number of Shares in issue in 2014 according to the 2014 Annual Report.

The hypothetical value of HK\$1.107 per Share as illustrated above represents a substantial premium of approximately 240% over the average price of the Shares in 2015 up to the Agreement Date.

(ii) *Comparison on historical key statistics, closing prices and trading liquidity*

On the basis that the Share Settlement Note and the Proposed Distribution will result in the MEL Independent Shareholders holding SHT Shares on top of its existing holding of the Shares, we attempt to provide the following suggestive information to the MEL Independent Shareholders regarding certain key historical financial statistics, the historical closing prices and trading liquidity of SHT Shares and the Shares, respectively.



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## LETTER FROM GRAM CAPITAL

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The table below demonstrates a comparison between certain key historical financial statistics of SHT Shares and the Shares:

	<b>SHT Shares</b> <i>HK\$</i>	<b>The Shares</b> <i>HK\$</i>
Earnings per share for the year ended 31 December 2014 (Basic) ( <i>Note 1</i> )	137.4 cents	10.12 cents
Earnings per share for the year ended 31 December 2013 (Basic) ( <i>Note 1</i> )	93.7 cents	6.96 cents
Book value per share as at 31 December 2014 ( <i>Note 2</i> )	13.7	70.15 cents
Book value per share as at 31 December 2013 ( <i>Note 3</i> )	11.8	60.75 cents
Proposed final dividend per share for the year ended 31 December 2014 ( <i>Note 1</i> )	Nil	0.575 cent
Interim dividend per share for the six months ended 30 June 2014 ( <i>Note 1</i> )	Nil	0.2 cent
Final dividend per share for the year ended 31 December 2013 ( <i>Note 1</i> )	Nil	0.575 cent
Interim dividend per share for the six months ended 30 June 2013 ( <i>Note 1</i> )	Nil	0.2 cent

*Notes:*

1. Based on the 2014 annual reports of SHT and the Company (as the case may be).
2. Based on the audited consolidated net assets of SHT and the Company as at 31 December 2014 (as the case may be) and the number of SHT Shares and Shares in issue in 2014 (as the case may be) according to the 2014 annual reports of SHT and the Company respectively.
3. Based on the audited consolidated net assets of SHT and the Company as at 31 December 2013 (as the case may be) and the number of SHT Shares and Shares in issue in 2013 (as the case may be) according to the 2014 annual reports of SHT and the Company respectively.

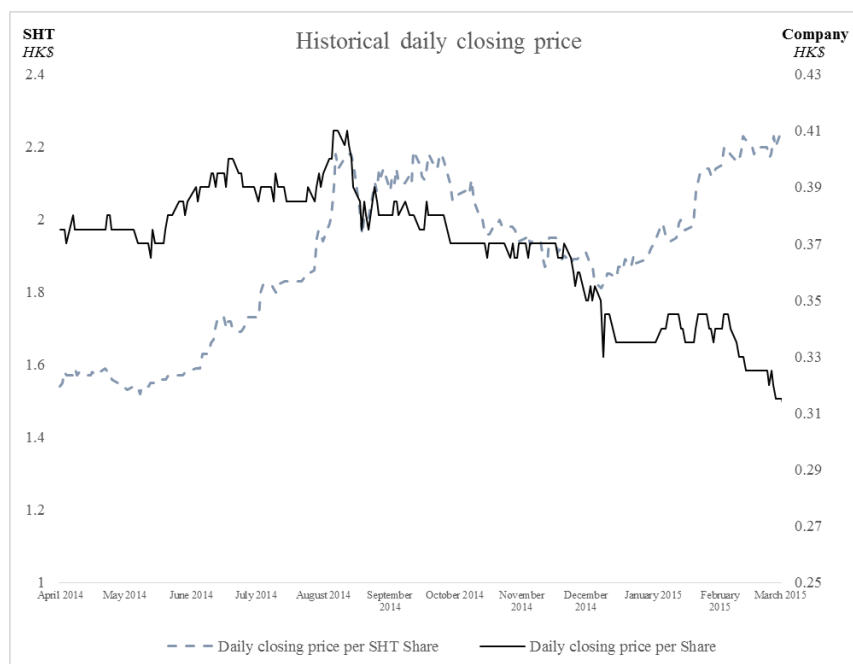
We noted from the above table that except for the payment of dividends (which were relatively immaterial), the historical key financial statistics of SHT Shares had been more favourable than the Shares. In this relation, the Directors confirmed that upon Completion, the Company will seek to increase its dividend payout ratio comparable to other hotel groups listed on the Stock Exchange.

Shareholders should note that the Transaction is a re-organisation of the SHR Group, resulting in the Company becoming a listed company focusing on the investments, developments, management and operation of hotels and the SHT Group specialising in commercial property investments while maintaining its investment in hotel assets through investment holding of the Company. As such, the above key historical financial statistics of SHT Shares and the Shares are for general reference only.



## LETTER FROM GRAM CAPITAL

The graph below demonstrates movement of the closing prices of SHT Shares and the Shares from 1 April 2014 up to the Agreement Date (the “**Review Period**”):



We noted from the above graph that the overall performance of SHT Shares in terms of share price movement had been better than the Shares during the Review Period.

The table below demonstrates a comparison between the average trading liquidity of SHT Shares and the Shares in each month during the Review Period:

	<b>% of the average daily trading volume to total number of issued SHT Shares held by the public as at the Agreement Date</b> <i>(Note 1)</i> %	<b>% of the average daily trading volume to total number of issued Shares held by the public as at the Agreement Date</b> <i>(Note 2)</i> %
<b>2014</b>		
April	0.06	0.06
May	0.05	0.08
June	0.11	0.04
July	0.15	0.04
August	0.59	0.06
September	0.11	0.05
October	0.18	0.02
November	0.13	0.03
December	0.07	0.05

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## LETTER FROM GRAM CAPITAL

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	<b>% of the average daily trading volume to total number of issued SHT Shares held by the public as at the Agreement Date</b> <i>(Note 1)</i> %	<b>% of the average daily trading volume to total number of issued SHT Shares held by the public as at the Agreement Date</b> <i>(Note 2)</i> %
<b>2015</b>		
January	0.12	0.03
February	0.12	0.09
March (up to and including the Agreement Date)	0.17	0.13
<b>Average</b>	<b>0.16</b>	<b>0.06</b>

*Notes:*

- (1) Based on 177,532,603 SHT Shares held by the public as at the Agreement Date.
- (2) Based on 2,586,465,887 Shares held by the public as at the Agreement Date.

We noted from the above table that trading in SHT Shares had been relatively more active than the Shares during the Review Period.

In light of that (i) the Issue Price is roughly equivalent to the adjusted net asset value per SHT Share as at 31 December 2014; (ii) the key historical financial statistics (except for payment of dividend) of SHT Shares had been more favourable than the Shares; (iii) the hypothetical value per Share represents a substantial premium over the average price of the Shares in 2015 up to the Agreement Date; (iv) the overall performance of SHT Shares in terms of share price movement had been better than the Shares during the Review Period; and (v) trading in SHT Shares had been relatively more active than the Shares during the Review Period, we are of the view that the settlement of the Consideration by the issue to the Company of the Share Entitlement Note which, together with the Proposed Distribution, would allow the MEL Independent Shareholders to receive SHT Shares, is fair and reasonable so far as the MEL Independent Shareholders are concerned.

### **The Special Cash Dividend**

In addition to the Proposed Distribution, the Board has resolved to recommend to the Shareholders for approval of a special distribution of cash dividend in the amount of HK\$0.03 per Share subject to the following conditions:

- (a) the obtaining of the approval of the MEL Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, the Proposed Distribution and the Special Cash Dividend at the EGM; and
- (b) all conditions to Completion having been fulfilled, or as the case may be waived.

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## LETTER FROM GRAM CAPITAL

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On 13 April 2015, the Company and SHT entered into a supplemental agreement to the Sale and Purchase Agreement to include the aforesaid approval as a condition precedent to Completion.

We concur with the Board that the Special Cash Dividend is beneficial to the Shareholders given that it provides an opportunity for the Shareholders to receive the special cash distribution as return for part of their investments in the Shares while maintaining their shareholdings in the Company which specialises in hotel investments and operations, and also receiving share distribution in SHT which will own commercial offices and the same interest in the Company.

Having considered the aforementioned principal terms of the Sale and Purchase Agreement, we consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the MEL Independent Shareholders are concerned.

### **3. Possible financial effects of the Transaction**

As confirmed by the Directors, the Sale Companies and their subsidiaries will cease to be subsidiaries of the Company following Completion.

Based on the unaudited pro forma financial information of the Remaining Group as contained in Appendix IV to the Circular, the Transaction would lead to a decrease in the net assets of the Group. In addition, the Transaction would reduce the total working capital (being calculated as total current assets less total current liabilities) of the Group. Having balanced against the reasons for and possible benefits of the Transaction as highlighted in the foregoing sections of this letter, we are of the opinion that the Transaction is in the interests of the Company and the Shareholders as a whole despite the aforesaid possible financial effects which are unaudited and for illustrative purposes only, and do not purport to represent how the financial position of the Group will be upon Completion.

### **RECOMMENDATION**

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the MEL Independent Shareholders are concerned; and (ii) the Transaction is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the MEL Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

**A. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2012, 2013 AND 2014****1. FINANCIAL SUMMARY**

The audited consolidated financial statements of the Group (a) 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; (b) 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; and (c) for the year ended 31 December 2012 are set out from page 28 to page 87 in the 2012 Annual Report of the Company, which was published on 19 February 2013.

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

**2012 Annual Report**

<http://www.magnificentstatesltd.com/documents/ar/c%20201%20AR2012%202013%2004%2024.pdf>

**2013 Annual Report**

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

**2014 Annual Report**

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

**2. STATEMENT OF INDEBTEDNESS****Bank and other borrowings**

As at the close of business on 31 March 2015, 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) unsecured and unguaranteed advance from Shun Ho Technology Holdings Limited amounting to approximately HK\$144 million, of which approximately HK\$44 million carried fixed interest at 5% per annum, approximately HK\$13 million is interest-free and the remaining advance from Shun Ho Technology Holdings Limited carried interest at Hong Kong Interbank Offered Rate (“HIBOR”) plus 4% per annum;

- (ii) unsecured and unguaranteed advance from Shun Ho Resources Holdings Limited amounting to approximately HK\$12 million, which carried fixed interest at 5% per annum;
- (iii) unsecured and unguaranteed advance from Trillion Resources Limited amounting to approximately HK\$0.4 million, which carried interest at HIBOR plus 4% per annum; and
- (iv) bank borrowings of approximately HK\$607 million which was secured by (a) fixed charges on certain of the Group's assets, including investment properties, properties under development and property, plant and equipment with carrying amount of approximately HK\$2,280 million, HK\$380 million and HK\$2,012 million respectively, (b) equity interests in and subordination of loans due from certain subsidiaries with an aggregate carrying amount of approximately HK\$1,165 million and (c) assignment of the Group's rental and hotel revenue, and was guaranteed by the Company.

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 31 March 2015 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. WORKING CAPITAL**

After taking into account the expected completion of the Transaction, the Proposed Distribution, the payment of the Special Cash Dividend and the financial resources available to the Group including the present available banking facilities, the advances from Shun Ho Technology Holdings Limited, Shun Ho Resources Holdings Limited 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 for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

### **B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP**

Set out below is the management discussion and analysis of the Remaining Group for each of the years ended 31 December, 2012, 2013 and 2014. The financial data in respect of the Remaining Group, for the purpose of this circular, is derived from the audited consolidated financial statements of the Company for the years ended 31 December, 2012, 2013 and 2014.

**Review of Results**

For the year ended 31 December 2012, 2013 and 2014, the Remaining Group's income was mostly derived from the aggregate of income from operation of hotels, properties rental income and dividend income, which was analysed as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from operation of hotels	355,152	518,631	515,029
Properties rental income	8,345	8,823	8,274
Dividend income	–	–	227
Other income	212	4,503	13,741
	<u>363,709</u>	<u>531,957</u>	<u>537,271</u>
Total	<u>363,709</u>	<u>531,957</u>	<u>537,271</u>

The Remaining Group presently owns and operates six hotels, including: (1) Ramada Hotel Kowloon, (2) Ramada Hong Kong Hotel, (3) Best Western Grand Hotel, (4) Best Western Hotel Causeway Bay, (5) Best Western Hotel Harbour View, and (6) Magnificent International Hotel, Shanghai with 1,823 rooms together with the new Best Western Grand City Hotel at Queen's Road West, the Group will have 2,037 hotel rooms which will be one of the largest hotel groups in Hong Kong.

The properties rental income was derived from shops from Ramada Hotel Kowloon and Ramada Hong Kong Hotel. Other income was mostly bank interest income.

**LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES****Cash position**

The Remaining Group had cash and bank balances of approximately HK\$1,195 million as at 31 March 2015. The Remaining Group had cash and bank balances of approximately HK\$120 million, HK\$290 million and HK\$1,148 million as at 31 December 2012, 2013 and 2014 respectively.

**Gearing ratio**

The debt ratio was 11% in term of overall debt of including bank loan and shareholders' loan of HK\$1,027 million against the fully revalued assets of the Remaining Group (i.e. excluding Trans-Profit and Houston Venture) of HK\$9,022 million as at 31 December 2012. The gearing ratio was approximately 39% in term of overall debt of HK\$1,027 million against funds employed of HK\$2,618 million as at 31 December 2012.

The debt ratio was 5% in term of overall debt of including bank loan and shareholders' loan of HK\$508 million against the fully revalued assets of the Remaining Group of HK\$10,116 million as at 31 December 2013. The gearing ratio was approximately 18% in term of overall debt of HK\$508 million against funds employed of HK\$2,883 million as at 31 December 2013.

The debt ratio was 5% in term of overall debt of including bank loan and shareholders' loan of HK\$532 million against the fully revalued assets of the Remaining Group of HK\$10,089 million as at 31 December 2014. The gearing ratio was approximately 14% in term of overall debt of HK\$532 million against funds employed of HK\$3,755 million as at 31 December 2014.

### Borrowings

All the Remaining Group's bank loans are floating rate borrowings, which carry interests at HIBOR plus a margin. The bank loans are secured over certain of the Remaining Group's properties. Interest rates on the Remaining Group's bank loans are repriced according to the HIBOR monthly. The Remaining Group's bank borrowings were mainly denominated in Hong Kong dollars. No financial instruments were used by the Remaining Group for hedging purposes during three years and three months from 1 January 2012 to 31 March 2015.

As at 31 December 2012, 2013, and 2014, the Remaining Group pledged assets to secure bank loans of approximately HK\$3,571 million, HK\$3,739 million and HK\$3,688 million respectively.

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

	<b>2012</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Secured bank loans	<u>832,686</u>	<u>452,560</u>	<u>430,728</u>
Carrying amounts of bank loan that contain a repayment on demand clause:			
Repayable within one year from the end of the reporting period	280,968	251,832	254,672
Not repayable within one year from the end of the reporting period shown under current liabilities	<u>551,718</u>	<u>200,728</u>	<u>176,056</u>
Amounts shown under current liabilities	<u>832,686</u>	<u>452,560</u>	<u>430,728</u>
Interest rate (per annum)	HIBOR+1%	HIBOR+2%	HIBOR+2%
Effective interest rate (per annum)	2.1%	2.1%	1.6%

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

### CONTINGENT LIABILITIES

As at 31 December 2012, 2013, 2014 and 31 March 2015, the Remaining Group had no significant contingent liabilities.

### SIGNIFICANT INVESTMENT

Save as disclosed in the other paragraphs of this section, the Remaining Group did not hold any other significant investment as at three years ended 31 December 2012, 31 December 2013, 31 December 2014 and period ended 31 March 2015 respectively.

### EXCHANGE RISK

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

### STAFF AND REMUNERATION POLICY

For the year ended 31 December 2012, 2013 and 2014, the numbers of the staff of the Remaining Group were 650, 660 and 660 respectively and the staff remuneration was HK\$83 million, HK\$146 million and HK\$151 million respectively. The Remaining Group's remuneration policy is built on the principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. 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.

Apart from the Disposal, the Remaining Group did not have any material acquisition or disposals of subsidiaries and associated companies during the three years ended 31 December 2014.



## UNAUDITED FINANCIAL INFORMATION OF HOUSTON VENTURE LIMITED

Set out below are the unaudited consolidated statements of financial position of Houston Venture Limited and its subsidiaries (collectively referred to as the “Houston Venture Group”) as of 31 December 2012, 2013 and 2014 and the related unaudited consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three year ended 31 December 2014 and explanatory notes (collectively referred to as the “Financial Information”), which have been prepared by the Directors in accordance with Rule 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Financial Information has included the financial information of the Excluded Companies, namely, Harbour Rich Industrial Limited, New Champion Developments Limited and Shun Ho Property Investments Limited (formerly known as Wealth Taker Limited) which will be transferred to the Company or its subsidiaries on or before Completion.

The auditor of the Company, Deloitte Touche Tohmatsu, has reviewed the Financial Information of the Houston Venture Group in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2012, 2013 AND 2014**

	<b>2012</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
<b>Continuing operations</b>			
Revenue	73,794	76,918	92,404
Rental outgoings	(91)	(424)	(815)
Net rental income	73,703	76,494	91,589
Increase in fair value of investment properties	118,300	263,232	10,000
Other income	13,468	14,360	12,905
Administrative expenses	(5,703)	(4,577)	(4,700)
Other expenses	(12,141)	(12,639)	(12,538)
Finance costs	(5,672)	(3,862)	(2,124)
Profit before taxation	181,955	333,008	95,132
Income tax expense	(10,425)	(14,126)	(13,894)
Profit for the year from continuing operations	171,530	318,882	81,238
<b>Discontinuing operations</b>			
Profit for the year from discontinued operations	47,410	28,962	627,656
Profit and total comprehensive income for the year	<u>218,940</u>	<u>347,844</u>	<u>708,894</u>
Basic earnings per share			
From continuing and discontinuing operations	<u>218,940</u>	<u>347,844</u>	<u>708,894</u>
From continuing operations	<u>171,530</u>	<u>318,882</u>	<u>81,238</u>

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AT 31 DECEMBER 2012, 2013 AND 2014**

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	98,247	25	523
Prepaid lease payments for land	24,846	–	–
Investment properties	2,104,920	2,202,590	2,212,590
	<u>2,228,013</u>	<u>2,202,615</u>	<u>2,213,113</u>
<b>Current assets</b>			
Inventories	173	–	–
Prepaid lease payments for land	690	–	–
Trade and other receivables	7,124	185	1,362
Deposits and prepayments	1,550	5,827	852
Amount due from immediate holding company	–	149,179	70,720
Amount due from a fellow subsidiary	–	4,745	–
Bank balances and cash	58,850	23,397	15,463
	<u>68,387</u>	<u>183,333</u>	<u>88,397</u>
Assets classified as held for sale	–	290,560	–
	<u>68,387</u>	<u>473,893</u>	<u>88,397</u>
<b>Current liabilities</b>			
Trade and other payables and accruals	6,890	646	1,682
Rental and other deposits received	9,728	7,584	1,329
Amount due to immediate holding company	150,167	14,712	32,580
Amount due to a fellow subsidiary	–	4,745	–
Tax liabilities	13,238	893	2,618
Bank loan	241,725	223,765	191,005
	<u>421,748</u>	<u>252,345</u>	<u>229,214</u>
Liabilities associated with assets classified as held for sale	–	202,030	–
	<u>421,748</u>	<u>454,375</u>	<u>229,214</u>
<b>Net current (liabilities) assets</b>	<u>(353,361)</u>	<u>19,518</u>	<u>(140,817)</u>
<b>Total assets less current liabilities</b>	<u>1,874,652</u>	<u>2,222,133</u>	<u>2,072,296</u>
<b>Capital and reserve</b>			
Share capital	–	–	–
Retained profits	1,836,873	2,184,717	2,026,318
	<u>1,836,873</u>	<u>2,184,717</u>	<u>2,026,318</u>
<b>Non-current liabilities</b>			
Rental deposits received	15,034	19,582	26,365
Deferred tax liabilities	22,745	17,834	19,613
	<u>37,779</u>	<u>37,416</u>	<u>45,978</u>
	<u>1,874,652</u>	<u>2,222,133</u>	<u>2,072,296</u>

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2012, 2013 AND 2014**

	<b>Share capital</b>	<b>Retained profits</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2012	–	1,617,933	1,617,933
Profit and total comprehensive income for the year	<u>–</u>	<u>218,940</u>	<u>218,940</u>
At 31 December 2012	–	1,836,873	1,836,873
Profit and total comprehensive income for the year	<u>–</u>	<u>347,844</u>	<u>347,844</u>
At 31 December 2013	–	2,184,717	2,184,717
Profit and total comprehensive income for the year	–	708,894	708,894
Interim dividend	<u>–</u>	<u>(867,293)</u>	<u>(867,293)</u>
At 31 December 2014	<u>–</u>	<u>2,026,318</u>	<u>2,026,318</u>

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED 31 DECEMBER 2012, 2013 AND 2014**

	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Profit for the year	218,940	347,844	708,894
Adjustments for:			
Income tax expense	16,267	17,397	14,609
Interest income	(1)	(1)	–
Gain on disposal of subsidiaries	–	–	(620,478)
Finance costs	5,672	3,862	2,124
Increase in fair value of investment properties	(132,300)	(258,032)	(10,000)
Depreciation of property, plant and equipment and release of prepaid leases payments for land	3,802	3,427	69
Operating cash flows before movements in working capital	112,380	114,497	95,218
Decrease (increase) in inventories	1	(19)	192
(Increase) decrease in trade and other receivables	(349)	2,414	3,052
(Increase) decrease in deposits and prepayments	(366)	365	128
Increase (decrease) in trade and other payables and accruals	548	(1,831)	(3,015)
Increase (decrease) in deposits received	864	4,614	(67)
Cash generated from operations	113,078	120,040	95,508
Hong Kong Profits Tax paid	(1,802)	(15,043)	(10,390)
Macau Profit Tax paid	(3,418)	(3,841)	(4,287)
Interest from bank deposits received	1	1	–
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>107,859</b>	<b>101,157</b>	<b>80,831</b>
<b>INVESTING ACTIVITIES</b>			
Addition of property, plant and equipment	(108)	(44)	(567)
Advance to immediate holding company	–	(22,611)	(48,109)
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(108)</b>	<b>(22,655)</b>	<b>(48,676)</b>
<b>FINANCING ACTIVITIES</b>			
Interest paid	(5,672)	(3,862)	(2,124)
Repayment of bank loan	(10,500)	(17,960)	(32,760)
Advance from immediate holding company	–	167	–
Repayment to immediate holding company	(42,190)	(87,190)	(10,315)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(58,362)</b>	<b>(108,845)</b>	<b>(45,199)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>49,389</b>	<b>(30,343)</b>	<b>(13,044)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>9,461</b>	<b>58,850</b>	<b>28,507</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>58,850</b>	<b>28,507</b>	<b>15,463</b>
Represented by:			
Bank balances and cash	58,850	23,397	15,463
Bank balances and cash classified as held for sale	–	5,110	–
	<b>58,850</b>	<b>28,507</b>	<b>15,463</b>

**NOTES TO THE FINANCIAL INFORMATION  
FOR EACH OF THE YEAR ENDED 31 DECEMBER 2012, 2013 AND 2014****1. GENERAL**

Houston Venture Limited is a private limited company incorporated in the British Virgin Islands (the “BVI”). Its immediate holding company, and intermediate holding companies are Magnificent Estates Limited (the “Company”), Shun Ho Technology Holdings Limited (“SHT”) and Shun Ho Resources Holding Limited, all public limited companies incorporated in Hong Kong with their shares listed on The Stock Exchange of Hong Kong Limited. The directors consider the ultimate holding company of Houston Venture Limited to be Trillion Resources Limited, a limited liability company incorporated in the BVI.

On 25 March 2015, the Company entered into the sale and purchase agreement with its immediate holding company, SHT, for the disposal of 100% interest in Houston Venture Limited and its subsidiary, Tennyland Limited, and 68% interest in Trans-Profit Limited together with its shareholder’s loan due to the Company (the “Transaction”). Upon completion of the Transaction, Houston Venture Limited and its subsidiary, Tennyland Limited, will cease to be subsidiaries of the Company.

Houston Venture Limited and its subsidiaries (collectively referred to as the “Houston Venture Group”) are principally engaged in property investment in commercial and residential units. Houston Venture Limited had disposed of subsidiaries engaging in property investment in retails units and operation of Best Western Hotel Taipa, Macau on 20 March 2014 and accordingly these operations are treated as discontinuing operations.

The financial information is presented in Hong Kong dollars, which is also the functional currency of Houston Venture Limited.

**2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION**

The financial information of the Houston Venture Group for each of the three years ended 31 December 2014 (collectively referred to as the “Financial Information”) has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in the circular to be issued by the Company in connection with the Transaction.

The amounts included in the Financial Information of the Houston Venture Group have been recognised and measured in accordance with the relevant accounting policies, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), adopted by the Company and its subsidiaries in the preparation of the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014. The Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard (the “HKAS”) 1 “Presentation of Financial Statements” nor an interim financial report as defined in HKAS 34 “Interim Financial Reporting” issued by the HKICPA. In addition, for the purpose of the preparation of the Financial Information, the comparative financial information in respect of the year ended 31 December 2011 has not been presented.

In preparing the Financial Information of the Houston Venture Group, the directors of Houston Venture Limited have given consideration to the future liquidity of the Houston Venture Group in light of the fact that the Houston Venture Group’s current liabilities exceeded its current assets by approximately HK\$140,817,000 as of 31 December 2014. SHT has agreed to provide the Houston Venture Group with financial support in meeting the Houston Venture Group’s financial obligations as and when they fall due for the foreseeable future. Accordingly, the directors of Houston Venture Limited are satisfied that the Houston Venture Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future, and accordingly, the Financial Information of the Houston Venture Group has been prepared on the going concern basis.

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**APPENDIX III FINANCIAL INFORMATION OF TRANS-PROFIT**

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**UNAUDITED FINANCIAL INFORMATION OF TRANS-PROFIT LIMITED**

Set out below are the unaudited statements of financial position of Trans-Profit Limited (“Trans-Profit”) as of 31 December 2012, 2013 and 2014 and the related unaudited statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for each of the three years ended 31 December 2014 and explanatory notes (collectively referred to as the “Financial Information”), which have been prepared by the Directors in accordance with Rule 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The auditor of the Company, Deloitte Touche Tohmatsu, has reviewed the Financial Information of Trans-Profit in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2012, 2013 AND 2014**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	18,203	20,282	21,552
Rental outgoings	<u>(129)</u>	<u>(166)</u>	<u>(235)</u>
Net rental income	18,074	20,116	21,317
Increase in fair value of investment properties	71,886	9,950	17,900
Other income	2,318	2,337	2,696
Administrative expenses	(4,130)	(3,652)	(3,658)
Other expenses	(2,317)	(2,333)	(2,368)
Finance costs	<u>(4,669)</u>	<u>(4,620)</u>	<u>(2,406)</u>
Profit before taxation	81,162	21,798	33,481
Income tax expense	<u>(1,491)</u>	<u>(1,957)</u>	<u>(2,544)</u>
Profit and total comprehensive income for the year	<u>79,671</u>	<u>19,841</u>	<u>30,937</u>
Basic earnings per share	<u>80</u>	<u>20</u>	<u>31</u>

**APPENDIX III FINANCIAL INFORMATION OF TRANS-PROFIT**

**STATEMENTS OF FINANCIAL POSITION  
AT 31 DECEMBER 2012, 2013 AND 2014**

	<b>2012</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	9	6	4
Investment properties	559,000	569,000	587,000
	<u>559,009</u>	<u>569,006</u>	<u>587,004</u>
<b>Current assets</b>			
Trade receivables	60	260	251
Deposits and prepayments	142	140	143
Bank balance	1,057	418	1,680
	<u>1,259</u>	<u>818</u>	<u>2,074</u>
<b>Current liabilities</b>			
Trade and other payables and accruals	1,809	451	618
Tenants' deposits	1,137	2,383	1,983
Amounts due to intermediate holding companies	92,698	89,754	189,435
Amount due to immediate holding company	4,135	–	–
Tax liabilities	236	491	614
	<u>100,015</u>	<u>93,079</u>	<u>192,650</u>
<b>Net current liabilities</b>	<u>(98,756)</u>	<u>(92,261)</u>	<u>(190,576)</u>
<b>Total assets less current liabilities</b>	<u><u>460,253</u></u>	<u><u>476,745</u></u>	<u><u>396,428</u></u>
<b>Capital and reserve</b>			
Share capital	1,000	1,000	1,000
Retained profits	451,310	468,551	387,054
	<u>452,310</u>	<u>469,551</u>	<u>388,054</u>
<b>Non-current liabilities</b>			
Tenants' deposits	4,250	3,192	4,089
Deferred tax liabilities	3,693	4,002	4,285
	<u>7,943</u>	<u>7,194</u>	<u>8,374</u>
	<u><u>460,253</u></u>	<u><u>476,745</u></u>	<u><u>396,428</u></u>

**APPENDIX III FINANCIAL INFORMATION OF TRANS-PROFIT**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2012, 2013 AND 2014**

	<b>Share capital</b> <i>HK\$'000</i>	<b>Retained profits</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2012	1,000	371,639	372,639
Profit and total comprehensive income for the year	<u>–</u>	<u>79,671</u>	<u>79,671</u>
At 31 December 2012	1,000	451,310	452,310
Profit and total comprehensive income for the year	–	19,841	19,841
Interim dividend paid for the year	<u>–</u>	<u>(2,600)</u>	<u>(2,600)</u>
At 31 December 2013	1,000	468,551	469,551
Profit and total comprehensive income for the year	–	30,937	30,937
Interim dividend	<u>–</u>	<u>(112,434)</u>	<u>(112,434)</u>
At 31 December 2014	<u><u>1,000</u></u>	<u><u>387,054</u></u>	<u><u>388,054</u></u>



**APPENDIX III FINANCIAL INFORMATION OF TRANS-PROFIT**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED 31 DECEMBER 2012, 2013 AND 2014**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>			
Profit before taxation	81,162	21,798	33,481
Adjustments for:			
Finance costs	4,669	4,620	2,406
Increase in fair value of investment properties	(71,886)	(9,950)	(17,900)
Depreciation of property, plant and equipment	<u>2</u>	<u>3</u>	<u>2</u>
Operating cash flows before movements in working capital	13,947	16,471	17,989
(Increase) decrease in trade receivables	(58)	(200)	9
Decrease (increase) in deposits and prepayments	3	2	(3)
Increase (decrease) in trade and other payables and accruals	61	(1,358)	167
Increase in tenants' deposits	<u>304</u>	<u>188</u>	<u>497</u>
Cash generated from operations	14,257	15,103	18,659
Hong Kong Profits Tax paid	<u>(931)</u>	<u>(1,393)</u>	<u>(2,138)</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>13,326</u>	<u>13,710</u>	<u>16,521</u>
<b>CASH USED IN INVESTING ACTIVITY</b>			
Addition of investment properties	<u>(591)</u>	<u>(50)</u>	<u>(100)</u>
<b>FINANCING ACTIVITIES</b>			
Dividend paid to shareholders	–	(2,600)	–
Interest paid	(4,669)	(4,620)	(2,406)
Repayment to intermediate holding companies	(7,057)	(30,251)	(13,986)
Advances from intermediate holding companies	–	27,307	1,233
Repayment to immediate holding company	<u>–</u>	<u>(4,135)</u>	<u>–</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(11,726)</u>	<u>(14,299)</u>	<u>(15,159)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>1,009</u>	<u>(639)</u>	<u>1,262</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>48</u>	<u>1,057</u>	<u>418</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balance</b>	<u><u>1,057</u></u>	<u><u>418</u></u>	<u><u>1,680</u></u>

**NOTES TO THE FINANCIAL INFORMATION****FOR EACH OF THE YEAR ENDED 31 DECEMBER 2012, 2013 AND 2014****1. GENERAL**

Trans-Profit Limited (“Trans-Profit”) is a private limited company incorporated in Hong Kong. Its immediate holding company is Longham Investment Limited, also a private limited company incorporated in Hong Kong. Its intermediate holding companies are Magnificent Estates Limited (the “Company”), Shun Ho Technology Holdings Limited (“SHT”) and Shun Ho Resources Holding Limited, all public limited companies incorporated in Hong Kong with their shares listed on The Stock Exchange of Hong Kong Limited. The directors consider the ultimate holding company of Trans-Profit to be Trillion Resources Limited, a limited liability company incorporated in the British Virgin Islands.

On 25 March 2015, the Company entered into the sale and purchase agreement with its immediate holding company, SHT, for the disposal of 100% interest in Houston Venture Limited and its subsidiary, Tennyland Limited, and 68% interest in Trans-Profit together with its shareholder’s loan due to the Company (the “Transaction”). Upon completion of the Transaction, Trans-Profit will cease to be a subsidiary of the Company.

Trans-Profit is principally engaged in property investment in commercial units.

The financial information is presented in Hong Kong dollars, which is also the functional currency of Trans-Profit.

**2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION**

The financial information of Trans-Profit for the each of the three years ended 31 December 2014 (collectively referred to as the “Financial Information”) has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in the circular to be issued by the Company in connection with the Transaction.

The amounts included in the Financial Information of Trans-Profit have been recognised and measured in accordance with the relevant accounting policies, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), adopted by the Company and its subsidiaries in the preparation of the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014. The Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard (the “HKAS”) 1 “Presentation of Financial Statements” nor an interim financial report as defined in HKAS 34 “Interim Financial Reporting” issued by the HKICPA. In addition, for the purpose of the preparation of the Financial Information, the comparative financial information in respect of the year ended 31 December 2011 has not been presented.

In preparing the Financial Information of Trans-Profit, the directors of Trans-Profit have given consideration to the future liquidity of Trans-Profit in light of the fact that Trans-Profit’s current liabilities exceeded its current assets by approximately HK\$190,576,000 as of 31 December 2014. SHT has agreed to provide Trans-Profit with financial support in meeting Trans-Profit’s financial obligations as and when they fall due for the foreseeable future. Accordingly, the directors of Trans-Profit are satisfied that Trans-Profit will be able to meet in full its financial obligations as and when they fall due in the foreseeable future, and accordingly, the Financial Information of Trans-Profit has been prepared on the going concern basis.

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

The unaudited pro forma financial information (the “Unaudited Pro Forma Financial Information”) presented below is prepared to illustrate (a) the financial position of the Remaining Group as if the group reorganisation of Shun Ho Group’s interests in commercial properties through the acquisition of 100% interest in Houston Venture Limited and its subsidiary, Tennyland Limited, and 68% interest in Trans-Profit Limited together with its shareholder’s loan from Magnificent Estates Limited by Shun Ho Technology Holdings Limited (the “Transaction”), and the Proposed Distributions and Special Cash Dividend as defined in the Circular, have been completed on 31 December 2014; and (b) the results and cash flows of the Remaining Group for the year ended 31 December 2014 as if the Transaction, the Proposed Distributions and Special Cash Dividend had been completed on 1 January 2014. The Unaudited Pro Forma Financial Information has been prepared 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 Remaining Group as at 31 December 2014 or at any future date had the Transaction been completed on 31 December 2014 and the results and cash flows of the Remaining Group for the year ended 31 December 2014 or for any future period had the Transaction been completed on 1 January 2014.

The pro forma financial information is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2014, the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 December 2014 extracted from the consolidated financial statements of the Group for the year ended 31 December 2014, after giving effect to pro forma adjustments described in the notes and is prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules.

**APPENDIX IV**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION**

**AT 31 DECEMBER 2014**

	The Group HK\$'000	Pro forma adjustments			Pro forma Remaining Group HK\$'000
		HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	
<b>Non-current assets</b>					
Property, plant and equipment	2,324,497	(14,246)			2,310,251
Prepaid lease payments for land	33,440				33,440
Investment properties	3,082,700	(2,722,700)			360,000
Properties under development	382,339				382,339
Available-for-sale investments	257,036				257,036
	<u>6,080,012</u>				<u>3,343,066</u>
<b>Current assets</b>					
Inventories	891				891
Prepaid lease payments for land	901				901
Trade and other receivables	21,480	(1,613)			19,867
Other deposits and prepayments	7,912	(939)			6,973
Bank balances and cash	1,164,762	(17,143)	(268,412)	(2,129)	877,078
	<u>1,195,946</u>				<u>905,710</u>
<b>Current liabilities</b>					
Trade and other payables and accruals	41,295	(1,466)			39,829
Rental and other deposits received	11,261	(3,312)			7,949
Advance from immediate holding company	145,203	(44,610)			100,593
Advance from an intermediate holding company	12,491	(12,491)			-
Advance from ultimate holding company	423				423
Amount due to the Disposal Subsidiaries	-	70,642			70,642
Tax liabilities	15,680	(3,232)			12,448
Bank loans	621,733	(191,005)			430,728
	<u>848,086</u>				<u>662,612</u>
<b>Net current assets</b>	<u>347,860</u>				<u>243,098</u>
<b>Total assets less current liabilities</b>	<u>6,427,872</u>				<u>3,586,164</u>
<b>Capital and reserves</b>					
Share capital	841,926				841,926
Share premium and reserves	5,316,920	(2,399,400)	(268,412)	(2,129)	2,646,979
Equity attributable to owners of the Company	6,158,846				3,488,905
Non-controlling interests	117,772	(117,772)			-
	<u>6,276,618</u>				<u>3,488,905</u>
<b>Non-current liabilities</b>					
Rental deposits received	33,724	(30,454)			3,270
Deferred tax liabilities	117,530	(23,541)			93,989
	<u>151,254</u>				<u>97,259</u>
	<u>6,427,872</u>				<u>3,586,164</u>

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2014

	The Group	Pro forma adjustments		Pro forma
	HK\$'000 (Note 10)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	Remaining Group HK\$'000
Revenue	648,423	(109,865)		538,558
Cost of sales	(4,245)			(4,245)
Other service costs	(223,741)	1,050		(222,691)
Depreciation of property, plant and equipment and release of prepaid lease payments for land	(62,848)			(62,848)
Gross profit	357,589			248,774
Increase in fair value of investment properties	18,600	(26,600)		(8,000)
Other income and gains	28,882	(15,601)	6,500	19,781
Gain on disposal of subsidiaries	620,478			620,478
Administrative expenses				
– Depreciation	(2,895)	903		(1,992)
– Others	(27,463)	325	(1,091)	(28,229)
	(30,358)			(30,221)
Other expenses	(14,906)	14,906		–
Finance costs	(11,161)	3,357		(7,804)
Profit before taxation	969,124			843,008
Income tax expense	(54,240)	16,337		(37,903)
Profit for the year	914,884			805,105
<b>Other comprehensive income</b>				
<b>Items that may be subsequently reclassified to profit or loss</b>				
Exchange differences arising on translation of foreign operations	(2,142)			(2,142)
Fair value gain on available-for-sale investments	34,221			34,221
Other comprehensive income for the year	32,079			32,079
Total comprehensive income for the year	946,963			837,184
Profit for the year attributable to:				
Owners of the Company	905,672	(105,976)	5,409	805,105
Non-controlling interests	9,212	(9,212)		–
	914,884			805,105
Total comprehensive income attributable to:				
Owners of the Company	937,751	(105,976)	5,409	837,184
Non-controlling interests	9,212	(9,212)		–
	946,963			837,184

**APPENDIX IV**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	The Group	Pro forma adjustments					Pro forma
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Remaining Group
		(Note 6)	(Note 7a)	(Note 7b)	(Note 4c)	(Note 5)	(Note 8)
<b>OPERATING ACTIVITIES</b>							
Profit before taxation	969,124	(31,288)	(723,503)	629,848	(6,582)	5,409	843,008
Adjustments for:							
Interest income from bank deposits	(12,798)						(12,798)
Finance costs	11,161	(2,406)	(2,124)		1,173		7,804
(Increase) decrease in fair value of investment properties	(18,600)	16,600	10,000				8,000
Gain on disposal of property, plant and equipment	(455)						(455)
Gain on disposal of subsidiaries	(620,478)		620,478	(620,478)			(620,478)
Depreciation of property, plant and equipment	64,842	(895)	(69)	61			63,939
Release of prepaid lease payments for land	901		-				901
Operating cash flows before movements in working capital	393,697						289,921
Decrease in inventories	127		(192)	192			127
Decrease in trade and other receivables	6,604	(9)	(3,052)	4,229			7,772
Increase in other deposits and prepayments	(635)	3	(128)	140			(620)
Increase in amounts due from the Disposal Subsidiaries	-					(5,409)	(5,409)
Decrease in trade and other payables and accruals	(185)	(167)	3,015	(3,260)			(597)
Decrease in rental and other deposits received	(176)	(497)	67	(595)			(1,201)
Cash generated from operations	399,432						289,993
Hong Kong Profits Tax paid	(47,141)	2,138	10,390				(34,613)
Income tax elsewhere paid	(4,313)		4,287	(4,287)			(4,313)
Interest from bank deposits received	12,798						12,798
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>360,776</b>						<b>263,865</b>
<b>INVESTING ACTIVITIES</b>							
Proceed from disposal of subsidiaries, net of cash and cash equivalents disposed of	712,542						712,542
Proceeds from disposal of property, plant and equipment	2,207						2,207
Expenditure on properties under development	(110,574)						(110,574)
Acquisition of property, plant and equipment	(10,746)		567	(567)			(10,746)
Purchase of available-for-sale investments	(5,629)						(5,629)
Expenditure on investment properties	(100)	100					-
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>587,700</b>						<b>587,800</b>
<b>FINANCING ACTIVITIES</b>							
Interest paid	(13,398)	2,406	2,124		(1,173)		(10,041)
Repayments of bank loans	(54,592)		32,760				(21,832)
Dividends paid to shareholders	(69,340)					(268,412)	(337,752)
Cash and cash equivalents relinquished upon distribution in specie, net of transaction costs	-					(25,944)	(25,944)
Advance from the Disposal Subsidiaries	-		48,109	(78)			48,031
Advance from ultimate holding company	18						18
Advance from an intermediate holding company	269	(269)					-
Repayment to an intermediate holding company	(1,621)	1,621					-
Advance from immediate holding company	71,755	(964)					70,791
Repayment to immediate holding company	(35,963)	12,365	10,315	(10,315)	6,582		(17,016)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(102,872)</b>						<b>(293,745)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>845,604</b>						<b>557,920</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>319,390</b>						<b>319,390</b>
Effect of foreign exchange rate changes	(232)						(232)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>1,164,762</b>						<b>877,078</b>

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2014

1. The adjustments, represent the deconsolidation of the assets and liabilities of Houston Venture Limited and its subsidiary, Tennyland Limited, and Trans-Profit Limited (hereinafter collectively referred to as the “Disposal Subsidiaries”), the resulting changes on the Remaining Group’s reserves and the recognition of amounts due from/to the Disposal Subsidiaries as if the Transaction, had taken place on 31 December 2014.

In accordance with the sale and purchase agreement entered into between Magnificent Estates Limited (“MEL”) and Shun Ho Technology Holdings Limited (“SHT”), the immediate holding company of MEL, SHT agrees to acquire the properties interest of commercial buildings through the acquisition of 100% interest in Houston Venture Limited and 68% interest in Trans-Profit Limited together with its shareholder’s loan which will be satisfied by the issue to MEL of Share Entitlement Note as defined in the Circular, which shall confer on the holder the right to call for the issue of 146,626,347 SHT Shares credited as fully paid.

The completion of the Transaction involves the following:

- (i) as a condition precedent to the Transaction, transfer of the three wholly-owned subsidiaries of Houston Venture Limited other than Tennyland Limited to the Remaining Group;
- (ii) transfer of the Group’s equity interests in Houston Venture Limited and Trans-Profit Limited by MEL to SHT in exchange for the Share Entitlement Note;
- (iii) distribution of Share Entitlement Note to MEL’s shareholders under the Proposed Distribution;
- (iv) automatic cancellation and extinguishment of the allotment rights upon distribution of the Share Entitlement Note to SHT and its subsidiaries, being the shareholders of MEL;
- (v) automatic issue of SHT Shares upon distribution of the Share Entitlement Note to MEL’s independent shareholders; and
- (vi) distribution of Special Cash Dividend of HK\$0.03 per MEL’s share amounting to HK\$268,412,000 to all the shareholders of MEL upon the completion of the Transaction.

The above steps are inter-conditional among each other and it is considered that the Transaction is in substance distributing the Disposal Subsidiaries to MEL’s shareholders together with the Special Cash Dividend. The assets and liabilities of the Disposal Subsidiaries are deconsolidated upon the completion of the Transaction. As the Disposal Subsidiaries are ultimately under common control of Trillion Resources Limited, which is controlled by Mr. William Cheng Kai Man before and after the distribution, the distribution is scoped out of HK(IFRIC) – Int 17 “Distributions of Non-cash Assets to Owners” issued by the Hong Kong Institute of Certified Public Accountants, and the distribution is recognised at the carrying amounts of the Group’s share of net assets of the Disposal Subsidiaries. The distribution of the Disposal Subsidiaries together with the assignment of Shareholder’s Loan are debited to retained profits.

**APPENDIX IV**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

The Group's share of net assets of the Disposal Subsidiaries, which are extracted from the financial information of Houston Venture Limited and its subsidiaries set out in Appendix II and the financial information of Trans-Profit Limited set out in Appendix III are reconciled as follows:

	Houston Venture		Adjustments			Adjusted total
	Trans-Profit Limited HK\$'000	Limited and its subsidiaries HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000 (note c)	HK\$'000
Property, plant and equipment	4	523	(523)	14,242	–	14,246
Investment properties	587,000	2,212,590	(42,590)	(34,300)	–	2,722,700
Trade and other receivables	251	1,362	–	–	–	1,613
Other deposits and prepayments	143	852	(56)	–	–	939
Amounts due from the Remaining Group	–	70,720	(78)	–	–	70,642
Bank balances and cash	1,680	15,463	–	–	–	17,143
Trade and other payables and accruals	(618)	(1,682)	834	–	–	(1,466)
Rental and other deposits received	(1,983)	(1,329)	–	–	–	(3,312)
Amount due to the Remaining Group	(132,334)	(32,580)	32,580	–	–	(132,334)
Amounts due to intermediate holding companies	(57,101)	–	–	–	–	(57,101)
Tax liabilities	(614)	(2,618)	–	–	–	(3,232)
Bank loans	–	(191,005)	–	–	–	(191,005)
Rental deposits received	(4,089)	(26,365)	–	–	–	(30,454)
Deferred tax liabilities	(4,285)	(19,613)	357	–	–	(23,541)
Net assets	388,054	2,026,318	(9,476)	(20,058)	–	2,384,838
Non-controlling interests	–	–	–	–	(117,772)	(117,772)
Share of net assets	<u>388,054</u>	<u>2,026,318</u>	<u>(9,476)</u>	<u>(20,058)</u>	<u>(117,772)</u>	<u>2,267,066</u>

(note d)

- (a) As a condition precedent, three wholly-owned subsidiaries of Houston Venture Limited other than Tennyland Limited would be transferred to the Remaining Group immediately prior to the transfer of the Group's equity interest in Houston Venture Limited to SHT. The adjustments represent the exclusion of the assets and liabilities of these three subsidiaries.
- (b) The adjustments represent the reclassification from investment properties to property, plant and equipment on consolidation of Trans-Profit Limited into the Group for a storey of commercial building held by Trans-Profit Limited for own use by the Group.
- (c) The adjustment represents the share of adjusted net assets value of Trans-Profit Limited by the non-controlling interests, representing 32% of equity interest in Trans-Profit Limited.
- (d) The Group's share of net assets of HK\$2,267,066,000 distributed to MEL's shareholders together with the assignment of shareholders' loan of HK\$132,334,000 are recognised as a distribution and are debited to retained profits.

As at 31 December 2014, the carrying amount of the shareholder's loan is approximately HK\$132,334,000.



**APPENDIX IV**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

2. The adjustment represents the distribution of the Special Cash Dividend to MEL's shareholders assuming the Transaction had taken place on 31 December 2014.
3. The estimated legal and professional fee directly attributable to the Transaction amounting to approximately HK\$2,129,000 is charged directly to retained profits.
4. The adjustments represent the exclusion of the results of the Disposal Subsidiaries for the year ended 31 December 2014 as if the Transaction had been completed on 1 January 2014.

The Group's share of results of the Disposal Subsidiaries, which are extracted from the financial information of Houston Venture Limited and its subsidiaries set out in Appendix II and the financial information of Trans-Profit Limited set out in Appendix III are reconciled as follows:

	<b>Trans-Profit Limited</b> <i>HK\$'000</i>	<b>Houston Venture Limited and its subsidiaries</b> <i>HK\$'000</i>	<b>Adjustments</b>				<b>Adjusted total</b> <i>HK\$'000</i>
			<i>HK\$'000</i> <i>(note a)</i>	<i>HK\$'000</i> <i>(note b)</i>	<i>HK\$'000</i> <i>(note c)</i>	<i>HK\$'000</i> <i>(note d)</i>	
<b>Continuing operations</b>							
Revenue	21,552	92,404	(3,000)	–	(1,091)	–	109,865
Rental outgoings	(235)	(815)	–	–	–	–	(1,050)
Increase in fair value of investment properties	17,900	10,000	–	(1,300)	–	–	26,600
Other income	2,696	12,905	–	–	–	–	15,601
Administrative expenses							
– Depreciation	(2)	(69)	61	(893)	–	–	(903)
– Others	(3,656)	(4,631)	1,462	–	6,500	–	(325)
Other expenses	(2,368)	(12,538)	–	–	–	–	(14,906)
Finance costs	(2,406)	(2,124)	–	–	1,173	–	(3,357)
Profit before taxation	33,481	95,132	(1,477)	(2,193)	6,582	–	131,525
Income tax expense	(2,544)	(13,894)	101	–	–	–	(16,337)
Profit and total comprehensive income for the year	30,937	81,238	(1,376)	(2,193)	6,582	–	115,188
Non-controlling interests	–	–	–	–	–	(9,212)	(9,212)
	<u>30,937</u>	<u>81,238</u>	<u>(1,376)</u>	<u>(2,193)</u>	<u>6,582</u>	<u>(9,212)</u>	<u>105,976</u>

- (a) As a condition precedent, three wholly-owned subsidiaries of Houston Venture Limited other than Tennyland Limited would be transferred to the Remaining Group immediately prior to the Transaction. The adjustments represent the exclusion of the results of these subsidiaries from the results of the Disposal Subsidiaries.
- (b) The adjustments represent the reversal of fair value change of investment properties and the recognition of depreciation arising from the reclassification of investment properties to property, plant and equipment on consolidation of Trans-Profit Limited into the Group for a storey of commercial building held by Trans-Profit Limited for own use by the Group.

- (c) The adjustments represent the elimination of inter-company transactions between the Disposal Subsidiaries and the Remaining Group for the year ended 31 December 2014.
- (d) The adjustment represents the share of adjusted results of Trans-Profit Limited by the non-controlling interests, representing 32% of equity interest in Trans-Profit Limited.
5. The adjustments represent the reinstatement of the transactions between the Remaining Group and the Disposal Subsidiaries, including (a) the management fee income of HK\$6,500,000 charged by the Remaining Group to the Disposal Subsidiaries and (b) rental expenses of HK\$1,091,000 charged by Trans-Profit Limited for a storey of commercial building rented by the Remaining Group, assuming the Transaction had been completed on 1 January 2014.
6. The adjustments represent the exclusion of the cash flows of Trans-Profit Limited, which is extracted from the financial information set out in Appendix III, and the impact on cash flows due to the elimination of fair value change of investment properties of HK\$1,300,000 and the recognition of depreciation of HK\$893,000 arising from the reclassification of investment properties to property, plant and equipment on consolidation of Trans-Profit Limited into the Group for a storey of commercial building held by Trans-Profit Limited for own use by the Group, assuming the Transaction had been completed on 1 January 2014.
7. The adjustments represent (a) the exclusion of the cash flows of Houston Venture Limited and its subsidiaries, which is extracted from the financial information set out in Appendix II, (b) cash flows of three wholly-owned subsidiaries of Houston Venture Limited other than Tennyland Limited to be transferred to the Remaining Group as a precondition to completion of the Transaction, assuming the Transaction had been completed on 1 January 2014.
8. The adjustments represent the proforma cash outflows of approximately HK\$294,356,000 arising from the Transaction, including the exclusion of cash and cash equivalents of the Disposal Subsidiaries of HK\$23,815,000 as at 1 January 2014 and the cash paid for the estimated legal and professional fee of HK\$2,129,000 and Special Cash Dividend of HK\$268,412,000, assuming the Transaction had been completed on 1 January 2014 and the Special Cash Dividend had taken place on 1 January 2014.
9. Except for pro forma adjustments in note 5, other pro forma adjustments to the pro forma consolidated statement of profit or loss and other comprehensive income and pro forma consolidated statement of cash flows are not expected to have a continuing effect on the Remaining Group.

The information set out in item 10 below is for additional information only and does not constitute pro forma adjustment.

10. On 20 December 2013, the Group entered into an agreement with an independent third party for the disposal of the entire equity interest in Himson Enterprises Limited (“Himson”) and Longham Investment Limited (“Longham”), the wholly-owned subsidiaries of the Company 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 a company incorporated in Macau, respectively whose principal activities are engaging in property investment in retails units and operation of Best Western Hotel Taipa, Macau. The Disposal was completed on 20 March 2014. Accordingly, the Group has accounted for the following financial information of Himson and Longham from 1 January 2014 to 20 March 2014:

	<i>HK\$'000</i>
Revenue	15,028
Cost of sales	(177)
Other service costs	(6,958)
	<hr/>
Profit before taxation	7,893
Income tax expense	(715)
	<hr/>
Profit for the period	7,178
Gain on disposal of the discontinued operations	620,478
	<hr/>
Profit and total comprehensive income for the period attributable to owner of Houston Venture	<hr/> <hr/> 627,656

**B. 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 Remaining Group.*

**Deloitte.**  
德勤

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF MAGNIFICENT ESTATES LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Magnificent Estates 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 consisted of the unaudited pro forma consolidated statement of financial position as at 31 December 2014, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2014 and related notes as set out on pages 63 to 70 of the circular issued by the Company dated 28 May 2015 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on section A of Appendix IV of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the disposal of 100% interest in Houston Venture Limited and its subsidiary, Tennyland Limited, and 68% interest in Trans-Profit Limited together with its shareholder's loan, and the Proposed Distributions and Special Cash Dividend as defined in the Circular, on the Group's financial position as at 31 December 2014 and the Group's financial performance and cash flows for the year ended 31 December 2014 as if the transaction had taken place at 31 December 2014 and 1 January 2014 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2014, on which an audit 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 ("HKICPA").

**Reporting Accountant's 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 accountant comply with ethical requirements and 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 2014 or 1 January 2014 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 accountant's judgment, having regard to the reporting accountant's 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  
28 May 2015

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited Tie Leung Limited, an independent valuer, in connection with the valuation of the property interests held by the Groups as at 31 March 2015.



16th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

28 May 2015

The Board of Directors  
Magnificent Estates Limited  
Shun Ho Technology Holdings Limited  
Shun Ho Resources Holdings Limited  
3/F, Shun Ho Tower  
24-30 Ice House Street  
Central  
Hong Kong

Dear Sirs,

Re: Portfolio Valuation

#### **INSTRUCTIONS, PURPOSE & DATE OF VALUATION**

In accordance with your instructions for us to carry out market valuations of the property interests held by Magnificent Estates Limited, Shun Ho Technology Holdings Limited and Shun Ho Resources Holdings Limited (the “Companies”) or their subsidiaries (hereinafter together referred to as the “Groups”) as listed in the attached summary of valuations, we confirm that we have carried out site inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 March 2015 (the “Date of Valuation”).

#### **BASIS OF VALUATION AND ASSUMPTION**

Our valuation of each property interest represents its market value which in accordance with the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors is defined as “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”.

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

In valuing the properties, we have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institutes of Surveyors.

### **METHOD OF VALUATION**

We have valued the properties by Investment Approach by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential and/or by making reference to comparable sale transactions as available in the market.

### **SOURCE OF INFORMATION**

We have relied to a very considerable extent on the information given by the Groups and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, identification of property interests, particulars of occupancy, site and floor areas, interest attributable to the Groups in the property interests and all other relevant matters. Dimensions and measurements are based on the copies of documents or other information provided to us by the Groups and are therefore only approximations. No on-site measurement has been carried out.

### **TITLE INVESTIGATION**

We have not been provided with copies of the title documents relating to the property interests but have caused searches to be made at the Land Registry in Hong Kong. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

### **SITE INSPECTION**

Our valuer, Mr. Thomas Tam (MRICS) has inspected the exterior of the properties in April 2015. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property interests are free of rot, infestation or any other structural defects. No test was carried out on any of the services.

We enclose herewith a summary of valuations and our valuation certificates.

Yours faithfully,  
For and on behalf of  
**DTZ Debenham Tie Leung Limited**  
**K. B. Wong**  
MHKIS, RPS(GP)  
*Senior Director, Valuation & Advisory Services*

*Note: Mr. K.B. Wong is a Registered Professional Surveyor (General Practice) who has over 30 years' property valuation experience in Hong Kong.*



## SUMMARY OF VALUATIONS

<b>Property interest</b>	<b>Market value in existing state as at 31 March 2015 HK\$</b>
1. Shun Ho Tower, Nos. 24-30 Ice House Street, Central, Hong Kong	587,000,000
2. 633 King's Road, North Point, Hong Kong	2,170,000,000
	<hr/>
	<b>Total: <u><u>2,757,000,000</u></u></b>

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2015
<p>1. Shun Ho Tower, Nos. 24-30 Ice House Street, Central, Hong Kong</p> <p>Inland Lot No. 7579, the Remaining Portion of Section I, the Remaining Portion of Section J and the Remaining Portion of Sub-section 1 of Section L of Inland Lot No. 617</p>	<p>The property comprises a 24-storey commercial building with ground and 1st floors for commercial use and the upper floors for office use. The property was completed in 1987.</p> <p>The total gross floor area of the property is approximately 54,312 sq.ft. (5,045.71 sq.m.).</p> <p>The locality of the property is served by public transport and characterized as a central office location.</p> <p>The property is held from the Government under Condition of Exchange No. 6233 for a term of 999 years commencing from 25 June 1865. The current Government rent payable for Inland Lot No. 7579, Inland Lot No. 617 s.I R.P., Inland Lot No. 617 s.J &amp; Inland Lot No. 617 s.L ss.1 is HK\$32 per annum.</p>	<p>As at the Date of Valuation, the property was fully let for various terms with the latest term due to expire in February 2018 at a total monthly rent of about HK\$1,940,000 exclusive of rates and management fees.</p>	<p>HK\$587,000,000</p>

*Notes:*

- (1) The registered owner of the property is Trans-Profit Limited, a company owned as to 7% by Shun Ho Resources Holdings Limited, 25% by Shun Ho Technology Holdings Limited and 68% by Magnificent Estates Limited.
- (2) The property falls within the "Commercial" zone on the Approved Central District Outline Zoning Plan No. S/H4/14 dated 19 April 2013.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2015
2. 633 King's Road, North Point, Hong Kong  Inland Lot No. 7860	<p>The property comprises an office building with 31 storeys (including a carpark level on 3rd floor and refuge level on 12th floor) plus a basement level car park. The property was completed in 2007.</p> <p>The total gross floor area of the property is approximately 258,384 sq.ft. (24,004.50 sq.m.).</p> <p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under a Government Lease for a term of 75 years renewable for 75 years from 21 May 1962. The current Government rent payable for the lot is HK\$1,574 per annum.</p>	As at the Date of Valuation, portions of the property with a total floor area of approximately 20,090 sq.ft. were vacant, the remainder of the property was let for various terms with the latest term due to expire in October 2018 at a total monthly rent of about HK\$7,690,000 exclusive of rates and management fees.	HK\$2,170,000,000

*Notes:*

- (1) The registered owner of the property is Tennyland Limited, a wholly owned subsidiary of Magnificent Estates Limited.
- (2) The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited.
- (3) The property falls within the "Commercial" zone on the Approved North Point Outline Zoning Plan No. S/H8/24 dated 10 December 2010.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document 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 document misleading.

## 2. DISCLOSURE OF INTERESTS

### Directors and chief executive

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

#### (i) *Interests in issued Shares*

Name of Director	Capacity	Nature of interests	Number of Shares held	Approximate % of shareholding
William Cheng Kai Man	Interest of controlled corporations	Corporate	6,360,585,437 (Note)	71.09

*Note:*

SHT 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	SHT (Note 1)	Interest of controlled corporations	Corporate	359,543,999	66.94
William Cheng Kai Man	SHR (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. SHT, the Company's immediate holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
2. SHR, the Company's intermediate holding company, is a public limited 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 to the Directors, as at the Latest Practicable Date, each of the following persons (not being Directors or chief executive of the Company), had an interest and/or short position in the Company's 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:

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of Shares/underlying shares held</b>	<b>Approximate % of shareholding</b>
SHT ( <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
SHR ( <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
Desmarais Andre (as trustee of the Desmarais Family Residuary Trust ( <i>Note 4</i> ))	Trustee	715,552,000	8.00
Desmarais Jacqueline (as trustee of the Desmarais Family Residuary Trust ( <i>Note 4</i> ))	Trustee	715,552,000	8.00
Desmarais Jr. Paul (as trustee of the Desmarais Family Residuary Trust ( <i>Note 4</i> ))	Trustee	715,552,000	8.00

Name of Shareholder	Capacity	Number of Shares/underlying shares held	Approximate % of shareholding
Fortin Guy (as trustee of the Desmarais Family Residuary Trust ( <i>Note 4</i> ))	Trustee	715,552,000	8.00
Gelco Enterprises Ltd. ( <i>Note 4</i> )	Interest of controlled corporations	715,552,000	8.00
Nordex Inc. ( <i>Note 4</i> )	Interest of controlled corporations	715,552,000	8.00
Plessis-Belair Michel (as trustee of the Desmarais Family Residuary Trust ( <i>Note 4</i> ))	Trustee	715,552,000	8.00
Power Corporation of Canada ( <i>Note 4</i> )	Interest of controlled corporations	715,552,000	8.00
Power Financial Corporation ( <i>Note 4</i> )	Interest of controlled corporations	715,552,000	8.00
IGM Financial Inc. ( <i>Note 4</i> )	Interest of controlled corporations	715,552,000	8.00
The Bank of New York Mellon Corporation	Interest of controlled corporations	562,038,000	6.28

*Notes:*

1. SHT 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 Shun Ho Technology.
2. SHT is directly and indirectly owned as to 65.18% by Omnico, which was in turn owned as to 100% by SHR, 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. Therefore, Omnico, SHR and Trillion Resources BVI were taken to be interested in 6,360,663,987 Shares by virtue of their direct or indirect interests in SHT.
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. Mackenzie Financial Corporation (“MFC”) and its subsidiaries were interested in the total number of 715,552,000 Shares. MFC was an indirect wholly-owned subsidiary of IGM Financial Inc. (held as to 100%). IGM Financial Inc. was a non-wholly owned subsidiary of Power Financial Corporation (held as to 58.84%) which was in turn an indirect non-wholly owned subsidiary of Power Corporation of

Canada (held as to 65.66%). Power Corporation of Canada was 53.47% owned by Gelco Enterprises Ltd, a 94.95% subsidiary of Nordex Inc. Andre Desmarais (as trustee of the Desmarais Family Residual Trust) was holder of 68% of the interest in Nordex Inc. Desmarais Paul G. passed away on 8 October 2013.

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 shares 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 2014 (being the date to which the latest published audited financial statements of the Company 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 entered into any service contract with the Company or any member of the Group which will not expire or is not determinable by the employer 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 2014, the date to which the latest published audited consolidated financial statements of the Group were made up.

**8. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or its subsidiaries within the two years preceding the Latest Practicable Date and which are or may be material:

- (i) A wholly-owned subsidiary of the Company as vendor entered into the sale and purchase agreement with an Independent Third Party as purchaser for the disposal of subsidiaries holding interest in Best Western Hotel, Taipa, Macau on 20 December 2013; and
- (ii) The Sale and Purchase Agreement.

**9. CONSENTS**

DTZ Debenham Tie Leung Limited, Gram Capital and Deloitte Touche Tohmatsu have given and have not withdrawn their respective written consents to the inclusion of their respective reports in this circular with references to their names in form and context in which they respectively appear.

**10. QUALIFICATION OF EXPERTS**

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

<b>Name</b>	<b>Qualifications</b>
DTZ Debenham Tie Leung Limited	Professional valuer
Deloitte Touche Tohmatsu	Certified Public Accountants
Gram Capital	Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, none of DTZ Debenham Tie Leung Limited, Deloitte Touche Tohmatsu and Gram Capital has any holding, directly or indirectly, of any securities in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities of any member of the Group.

As at the Latest Practicable Date, none of DTZ Debenham Tie Leung Limited, Deloitte Touche Tohmatsu and Gram Capital has any direct or indirect interests in any assets which since 31 December 2014 (being the date of 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 at 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 report of the Company for each of the two financial years ended 31 December 2014;
- (d) the consent letters of DTZ Debenham Tie Leung Limited, Deloitte Touche Tohmatsu and Gram Capital referred to in the section headed "Consents" in this appendix;

- (e) the unaudited pro forma financial information of the Remaining Group and the report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix IV to this circular;
- (f) the letter from Gram Capital to the MEL Independent Shareholders, the text of which is set out on pages 32 to 47 of this circular;
- (g) the letter and valuation certificate prepared by DTZ Debenham Tie Leung Limited in respect of the 633 King's Road Property and Shun Ho Tower, the text of which is set out in Appendix V to this circular;
- (h) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### MAGNIFICENT ESTATES LIMITED (華大地產投資有限公司)

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 201)**

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Extraordinary General Meeting of Magnificent Estates Limited (the “**Company**”) will be held at 3rd Floor, Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong on Friday, the 12th day of June 2015 at 9:00 a.m. to consider, if thought fit, pass the following resolution as ordinary resolution of the Company for the following resolution:

#### ORDINARY RESOLUTION

**“THAT**

1. (a) the Sale and Purchase Agreement dated 25 March 2015 entered into between the Company and Shun Ho Technology Holdings Limited (the “**Agreement**”, a copy of which has been produced to this meeting and marked “A” and signed by the chairman of the meeting (the “**Chairman**”) for the purpose of identification) in relation to the Transaction (as defined and described in the circular dated 28 May 2015 despatched to the shareholders of the Company of which the notice convening this meeting forms part, a copy of which has been produced to this meeting and marked “B” and signed by the Chairman for the purpose of identification, the “**Circular**”) and the transactions contemplated thereby be and are hereby approved, confirmed and ratified; and
- (b) the taking of all steps and doing of all things and execution of all documents by the Company and its subsidiaries to implement, give effect to or complete the Agreement and the transactions contemplated thereby, and the making and giving of and agreeing to such variations, amendments, modifications, waivers or extensions of the terms of the Agreement and the transactions contemplated thereby, as the directors of the Company may consider to be necessary, desirable, appropriate or expedient, be and are hereby approved, confirmed and ratified; and

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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2. upon the recommendation of the board of directors of the Company:
  - (a) subject to and conditional upon completion of the Agreement, a special dividend of a total amount which is equal to the product of the closing price of the shares of Shun Ho Technology Holdings Limited (“**SHT Share**”) as stated in The Stock Exchange of Hong Kong Limited’s daily quotation sheets as at the date of completion of the Agreement multiplied by 147,626,347 be declared and the directors of the Company be and they are hereby authorised and directed to cause that dividend to be satisfied not by payment of cash but by a distribution in specie (“**Distribution in Specie**”) of the Entitlement (as defined below) per share to the holders of shares of the Company whose names appear on the register of members of the Company on a date to be fixed and determined by the directors of the Company on the terms and conditions (including but not limited to the treatment of fractional entitlements and payment of cash in lieu in the relevant circumstances) described in the Circular. The Entitlement means the entitlement to 0.0165 SHT Share to be allotted under the Share Entitlement Note (as defined in the Circular), together with all rights under the Share Entitlement Note attributable to such entitlement (including but not limited to any right to receive payment of any amount which is equal to any dividend based on any record date which is on or after the date of the Agreement for which such SHT Shares to be so allotted do not rank due to their being issued after such record date); and
  - (b) subject to and conditional upon completion of the Agreement, in addition to the Distribution in Specie, a special cash dividend of HK\$0.03 per share of the Company to the holders of shares of the Company whose names appear on the register of members of the Company on a date to be fixed and determined by the directors of the Company on the terms and conditions described in the Circular be and is hereby declared.”

By Order of the Board

**HUEN Po Wah**  
*Company Secretary*

Hong Kong, 28 May 2015

*Registered office:*

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

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

- (1) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him and a proxy so appointed shall also have the same rights as the member to speak at the meeting. A proxy need not be a member of the Company.
- (2) To be valid, a form of proxy and 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 Company's Share Registrars, 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 any adjourned meeting.
- (3) In order to be eligible to attend and vote at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 10 June 2015.
- (4) Pursuant to the article 79 of the articles of association of the Company, the Chairman of the Board may, with the consent of any general meeting at which a quorum is present, adjourn the meeting, but the Chairman may, with the consent of any general meeting at which a quorum is present, and shall if so directed by the meeting, adjourn any meeting from time to time and from place to place as the meeting shall determine. Whenever a meeting is adjourned for fourteen days or more, at least seven clear days' notice, specifying the place, the day and the hour of the adjourned meeting shall be given in the same manner as in the case of an original meeting but it shall not be necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting. Save as aforesaid, no member shall be entitled to any notice of an adjournment or of the business to be transacted at any adjourned meeting. No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.

*As at the date of this notice, the Board comprises six Directors, of which two are Executive Directors, namely Mr. William Cheng Kai Man and Mr. Albert Hui Wing Ho and one is Non-executive Director, namely Madam Mabel Lui Fung Mei Yee; and three are Independent Non-executive Directors, namely Mr. Vincent Kwok Chi Sun, Mr. Chan Kim Fai and Mr. Hui Kin Hing.*