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SHUN HO TECHNOLOGY HOLDINGS LIMITED
(順豪科技控股有限公司)

(Incorporated in Hong Kong with limited liability)
(Stock code: 219)

MAJOR TRANSACTION
PROPOSED ACQUISITION BY
SHUN HO TECHNOLOGY HOLDINGS LIMITED
INTERESTS IN COMMERCIAL PROPERTIES FROM
MAGNIFICENT ESTATES LIMITED INVOLVING ISSUE OF
NEW SHARES UNDER THE SHARE ENTITLEMENT NOTE
UNDER THE SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

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 10:00 a.m. is set out on pages 127 to 129 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 and the Company's website at www.shunho.com.hk.

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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DEFINITIONS

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

“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” or “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
“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 the Company and MEL
“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
“Directors”	means the director(s) of the Company

DEFINITIONS

“EGM or SHT EGM”	means the extraordinary general meeting of the Company to be convened at 10:00 a.m. on 12 June 2015 to approve, among other matters (if any), the Sale and Purchase Agreement and transactions contemplated thereunder and the issue of the SHT Shares which may fall to be issued pursuant to the Share Entitlement Note
“Enlarged Group”	means the Company and its subsidiaries after completion of the acquisition of the interests in Houston Venture and Trans-Profit pursuant to the Sale and Purchase Agreement
“Excluded Companies”	means the three subsidiaries of Houston Venture other than Tennyland which will be transferred to MEL or its subsidiaries on or before Completion
“Group” or “SHT Group”	means the Company and its subsidiaries
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Houston Venture”	means Houston Venture Limited, a company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of MEL 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
“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”	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

DEFINITIONS

“MEL Board”	means the board of directors of MEL
“MEL EGM”	means an extraordinary general meeting of MEL to be convened to approve, among other matters (if any), the Proposed Distribution, the Special Cash Dividend, the Sale and Purchase Agreement and transactions contemplated thereunder
“MEL Excluded Shareholder”	means a holder of MEL Shares whose name appears on the register of members of MEL as holding MEL Shares on the Record Date for the Proposed Distribution whose address on such register is, on such Record Date, in a place outside Hong Kong and who the MEL 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
“MEL Group”	means MEL and its subsidiaries
“MEL Independent Shareholders”	means the MEL Shareholders other than SHT and its associates
“MEL Share(s)”	means the issued share(s) of MEL
“MEL Shareholder(s)”	means the shareholder(s) of MEL
“PRC”	means the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Property Interests”	means MEL’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 MEL to the MEL 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

DEFINITIONS

“Record Date”	means the record date for determining the entitlements to, amongst others, the Proposed Distribution and the Special Cash Dividend, being 3 July 2015
“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 the Company and MEL in relation to the Transaction
“Sale Companies”	means Trans-Profit and Houston Venture each a subsidiary of MEL
“Sale Shares”	means MEL’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 Entitlement Note”	means the share entitlement note to be issued by a wholly-owned subsidiary of the Company (and guaranteed by the Company) to MEL 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
“Share(s) or SHT Share(s)”	means the issued share(s) of the Company
“Shareholder’s Loan”	means the shareholder’s loan owing by Trans-Profit to MEL
“Shareholder(s)” or “SHT Shareholder(s)”	means the holder(s) of Shares
“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

DEFINITIONS

“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
“SHR Group”	means SHR and its subsidiaries
“SHR Share(s)”	means the issued share(s) of SHR
“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 MEL as at the Latest Practicable Date, and the legal and beneficial owner of the 633 King’s Road Property
“Transaction”	means the acquisition by the Group of interests in the Sale Shares and the Shareholder’s Loan due from the Sale Companies to MEL 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 MEL Group, 25% by the Company 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 the British Virgin Islands with limited liability and controlled by Mr. William Cheng Kai Man who is the Chairman of the Board

DEFINITIONS

“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.

LETTER FROM THE BOARD



SHUN HO TECHNOLOGY HOLDINGS LIMITED
(順豪科技控股有限公司)

(Incorporated in Hong Kong with limited liability)
(Stock code: 219)

Executive Directors:

Mr. William CHENG Kai Man (*Chairman*)
Mr. Albert HUI Wing Ho

Non-executive Director:

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,

MAJOR TRANSACTION
PROPOSED ACQUISITION BY
SHUN HO TECHNOLOGY HOLDINGS LIMITED
INTERESTS IN COMMERCIAL PROPERTIES FROM
MAGNIFICENT ESTATES LIMITED INVOLVING ISSUE OF
NEW SHARES UNDER THE SHARE ENTITLEMENT NOTE
UNDER THE SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

In the joint announcement dated 25 March 2015, the Company, SHR and MEL jointly announced that on 25 March 2015, the Company and MEL entered into the Sale and Purchase Agreement pursuant to which the Company agreed to acquire from MEL the Property Interests, being the MEL 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.

LETTER FROM THE BOARD

The Transaction is an effective re-organization of the SHR Group comprising the Group and the MEL Group and will unlock shareholder's value for the Shareholders through streamlining the business of MEL. The Transaction will result in MEL 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 MEL.

The interests of the Company and other MEL Shareholders 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, MEL and SHR, it was further announced that the MEL Board had resolved to recommend to the MEL 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, MEL Shareholders will receive the Special Cash Dividend upon Completion.

2. THE SALE AND PURCHASE AGREEMENT

The Agreement

Date: 25 March 2015

Parties: (i) the Company

(ii) MEL

The Transaction

The Transaction involves the acquisition by the Company from the MEL Group the Property Interests, being the MEL 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 MEL. Under the Sale and Purchase Agreement, MEL will sell to the Company 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.

LETTER FROM THE BOARD

The MEL 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 MEL 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 VI 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 MEL 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 audited consolidated financial information of Houston Venture and its subsidiaries for each of the three financial years ended 31 December 2014 together with the reporting accountants' report. Set out below is an extract of certain audited consolidated financial information of Houston Venture and its subsidiaries for each of the two financial years ended 31 December 2013 and 2014:

	2014	2013
	<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:

	2014	2013
	<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

LETTER FROM THE BOARD

Trans-Profit, the legal and beneficial owner of Shun Ho Tower, is owned as to 68% by the MEL Group, 25% directly by the Company and 7% by a direct wholly-owned subsidiary of SHR. The Transaction involves the acquisition of the MEL Group's entire 68% interest in Trans-Profit by the Company 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 VI to this circular.

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

	2014	2013
	<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

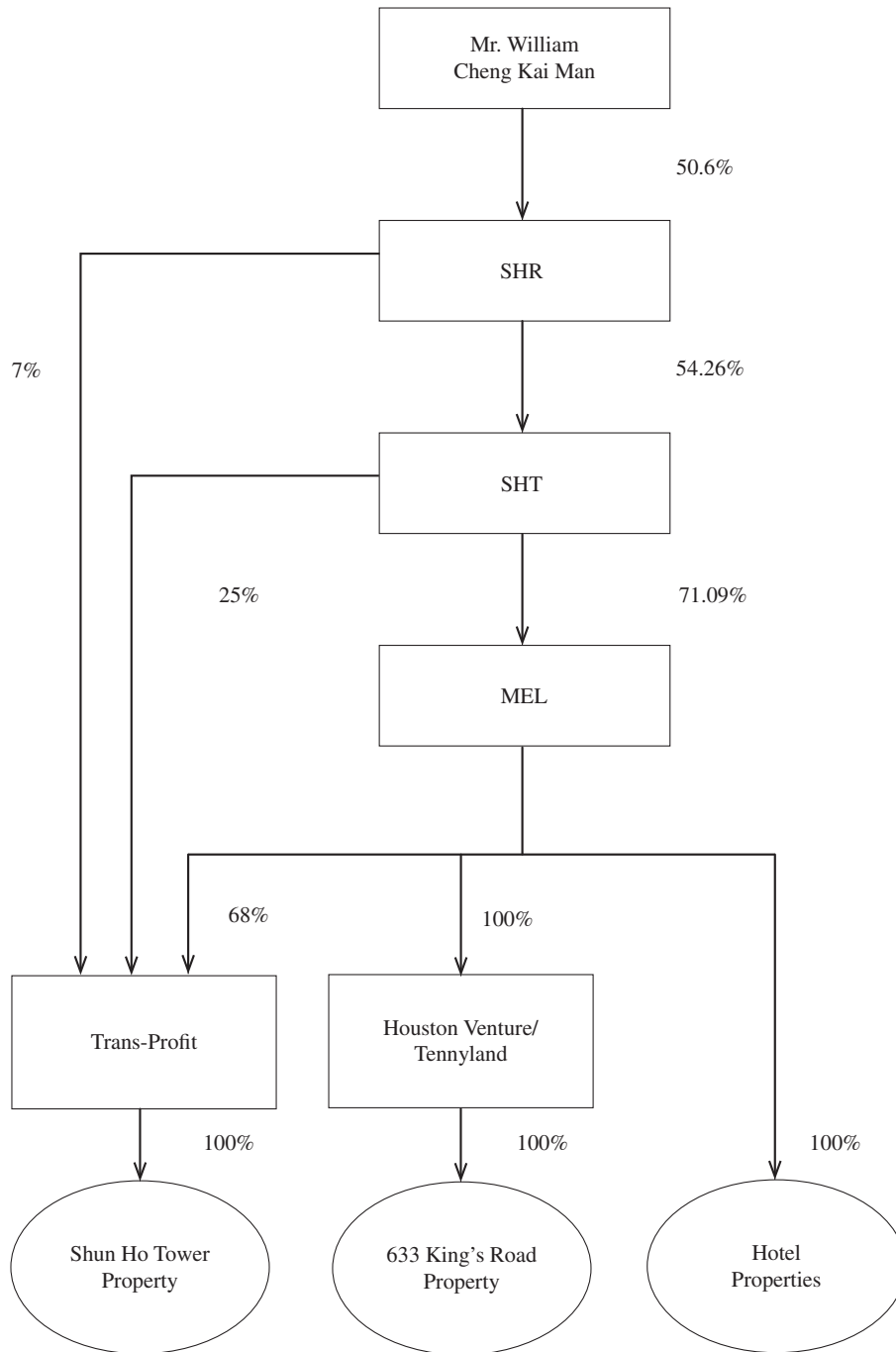
The consideration for the sale and purchase of MEL's 68% interest in Trans-Profit represents the aggregate of MEL's 68% attributable interest in the net asset value of Trans-Profit as at 31 December 2014 and the Shareholder's Loan which amounted to approximately HK\$132.3 million as at 31 December 2014.

The Sale Companies and their subsidiaries will cease to be subsidiaries of MEL 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, MEL and the Sale Companies as at the Latest Practicable Date and upon Completion are set out below:

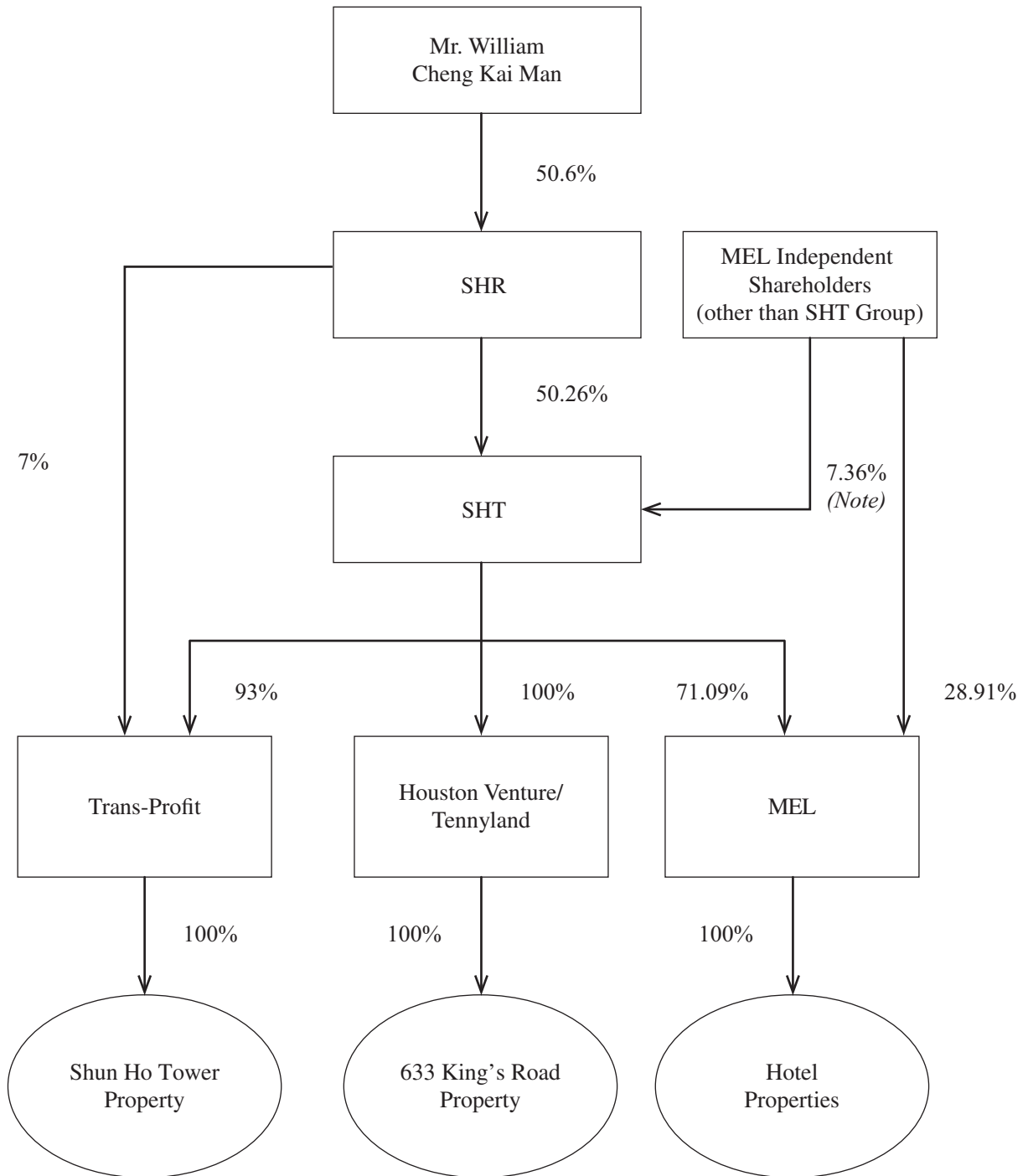
As at the Latest Practicable Date:



Note: In June 2000 SHT announced the proposed acquisition of further shares in MEL which resulted in MEL becoming a subsidiary of SHT from an associated company before the acquisition. Over the years SHT had further increased its shareholding in MEL. On 26 April 2013, MEL 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.

LETTER FROM THE BOARD

Upon Completion:



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

LETTER FROM THE BOARD

For illustration purpose, the changes in interest in the SHT Shares are shown as follows.

	Before the Transaction		Immediately after the Transaction	
	<i>No. SHT Shares held</i>	<i>Approx. shareholding %</i>	<i>No. SHT Shares held</i>	<i>Approx. shareholding %</i>
SHR Group	291,404,489	54.26	291,404,489	50.26
Mercury Fast Limited (<i>Note 1</i>)	68,139,510	12.69	68,139,510	11.75
Public SHT Shareholders	177,532,603	33.05	177,532,603	30.63
Public MEL Shareholders (<i>Note 2</i>)	–	–	42,676,687	7.36
Total	<u>537,076,602</u>	<u>100.00</u>	<u>579,753,289</u>	<u>100.00</u>

Notes:

1. Mercury Fast Limited is a wholly-owned subsidiary of MEL. Apart from holding the 68,139,510 SHT Shares, 62,602,700 SHR Shares and an immaterial investment in shares in a Hong Kong listed company, Mercury Fast Limited does not own other material assets.
2. Assume that the public MEL Shareholders do not hold any SHT Shares before the Transaction.

The Company shall remain a non-wholly-owned subsidiary of the SHR after the Transaction.

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 MEL of the Share Entitlement Note, which shall confer on the holder the right to call for the issue by the Company 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 SHT Shares as consideration 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 MEL Shares in issue as of the Latest Practicable Date) under the Proposed Distribution.

LETTER FROM THE BOARD

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 SHT 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 MEL 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 MEL 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 MEL 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 MEL 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 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 MEL Group after the Transaction will help improve the situation.

LETTER FROM THE BOARD

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 shareholding remain the same before and after the Transaction. For illustration purpose, the following table outlines the position of a MEL Shareholder holding 1% interest in MEL before and after the Transaction.

Before the Transaction

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

HK\$'million

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

The 1% MEL 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
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In SHT	(HK\$9,482,473,000 x 0.254%) (Note 2)	<u>24.1</u>
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Interest in Total		<u>121.2</u>
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Notes:

1. Based on the adjusted NAV of MEL 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% MEL Shareholder to be received from the Proposal Distribution.

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.

The Company 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 the Company, including sub-division of SHT Shares, capitalization of profits or reserves, capital distributions in cash or specie and rights issues.

LETTER FROM THE BOARD

Share Entitlement Note

Issuer

Duplexway Limited, a wholly-owned subsidiary of the Company

Guarantor

The Company

Entitlement

The Share Entitlement Note confers on the holder the Allotment Right. The Share Entitlement Note procured to be issued by SHT to MEL 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 MEL Shareholders. Accordingly, the MEL 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 the Company 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.

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 SHT Group and the Proposed Distribution will occur simultaneously upon Completion. As far as the MEL Independent Shareholders are concerned, those whose names appear on MEL'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 MEL 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 MEL Excluded Shareholders) pursuant thereto upon distribution of the Share Entitlement Note by MEL to any MEL Shareholder who happens to be a connected person of the Company will not constitute a connected transaction under the Listing Rules as the distribution is to be made by MEL and there is no transaction between the Company and such persons.

LETTER FROM THE BOARD

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 the Company as are necessary for the purpose of the Transaction;
- (b) the obtaining of all relevant third party consents or approvals by MEL, 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 MEL;
- (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;
- (e) the obtaining of the approval of the shareholders of the Company 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 EGM;
- (f) the obtaining of the approval of the SHR Shareholders 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 the Company and MEL.

LETTER FROM THE BOARD

MEL 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. The Company 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 the Company may require. The Company and MEL may together waive by agreement in writing the Condition set out in (b) (other than in relation to consents and approvals in respect of MEL) 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 MEL to the Company pursuant to the Sale and Purchase Agreement.

MEL 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.

3. PROPOSED DISTRIBUTION AND SPECIAL CASH DIVIDEND

The Transaction is in substance a re-organization of the business of the MEL Group and the Group for clear delineation of business. By the Proposed Distribution, MEL Shareholders will receive SHT Shares which will own interests in commercial properties and through the MEL Group interest in the hotels. The Proposed Distribution will end up MEL Shareholders having the same position before and after the Transaction in terms of economic interest in the net assets (through holding Shares in the Company which is principally engaged in commercial property investments and through the MEL 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 MEL 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, the

LETTER FROM THE BOARD

Company 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 the 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 MEL. Any SHT Shares attributable to entitlements of the MEL 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. MEL 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 MEL 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 MEL 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, the Company has at its own expense appointed an agent to provide matching services on a best effort basis to the MEL 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 odd lots of the Shares during the period from Friday, 17 July 2015 to Monday, 3 August 2015, both dates inclusive. Holders of the SHT Shares in odd lots represented by the existing share certificates for the SHT 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. The Company 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 MEL Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

LETTER FROM THE BOARD

In addition to the Proposed Distribution, the MEL Board has resolved to recommend to the MEL 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 MEL Shareholders whose names appear on the register of members of MEL at the Record Date. The Special Cash Dividend will be paid to the MEL Shareholders at the same time with the Proposed Distribution. For the avoidance of doubt, unlike the Proposed Distribution, all MEL Shareholders, including the MEL Excluded Shareholders, as at the Record Date will be entitled to receive the Special Cash Dividend subject to satisfaction of the above conditions.

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

- (a) The Special Cash Dividend provides an opportunity for the MEL Shareholders to receive a substantial special cash distribution while maintaining their shareholdings in MEL which specializes in hotel investments and operations and also receiving share distribution in SHT which will own commercial offices and the same interest in MEL. The Transaction and the Special Cash Dividend provide an opportunity to return to the MEL Shareholders a substantial part of their investment in the MEL Shares.
- (b) The Special Cash Dividend provides an additional incentive for the MEL Shareholders to support the Transaction. The Special Cash Dividend will not result in any dilution effect on the MEL Shareholders who will continue to enjoy the growth and development of the streamlined operations of the MEL Group.

4. REASONS FOR AND BENEFITS OF THE TRANSACTION

Back in April 2013, MEL 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 a sizable 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 MEL is mature enough to be the standalone principal businesses of the MEL Group.

LETTER FROM THE BOARD

Reasons for and benefits of the Transaction for SHT

The Transaction will streamline and delineate the operations of the SHT Group. Following Completion the SHT Group will maintain two major lines of business, namely commercial property investments through subsidiaries other than MEL and investments and operation of hotels through the MEL Group. It will result in an improved corporate structure for SHT investors. The Transaction will increase SHT's aggregate direct and attributable interest in Shun Ho Tower and the 633 King's Road Property from approximately 73.34% and 71.09% to a direct interest of 93% and 100% respectively.

As the majority shareholder of MEL, the benefits of MEL becoming a focused hotel operations group after Completion as described below will also accrue to SHT.

Reasons for and benefits of the Transaction for MEL

The objectives of the Transaction are as follows:

1/ Unlocking MEL Shareholder's value through greater transparency and coherence to business focus

The Board believes that the Transaction will benefit MEL through disposal of the non-core assets, namely, the Property Interests of MEL. 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 MEL and enable investors to adopt a single valuation methodology on MEL thereby unlocking value for MEL Shareholders.

2/ Enhancement of operation efficiency and management

Following Completion, the business of the Group and MEL Group will be clearly delineated. The MEL 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 MEL. Through internal job realignments within the Group and the MEL 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, MEL will focus on hotel investments and hotel acquisitions to increase hotel related incomes and most importantly with an aim to increase a dividend payout ratio comparable to other hotel groups listed on the Stock Exchange.

LETTER FROM THE BOARD

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 Group and the MEL 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.

Both the Consideration and the issue price for the SHT Shares are based on the fair value of the Property Interests and the net asset of SHT. Accordingly, the Transaction is fair to all the MEL 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 MEL 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 Shun Ho Property Investments Limited and MEL will change its name to Magnificent Hotel Investments Limited to reflect the respective business profiles of the two companies after the re-organization.

Resumption of Payment of Dividend by SHT

As disclosed in the joint announcement dated 25 March 2015, the Board intends to resume dividend payment by SHT and propose the adoption of a dividend payment policy in line with that of MEL after Completion of the re-organization.

5. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

Houston Venture and Trans-Profit will remain subsidiaries of the Company after the Transaction. Their financial results and assets and liabilities have been consolidated into the Group's accounts for each of the three financial years ended 31 December 2014. Accordingly, the management discussion and analysis of the Group set out in Appendix V to this circular which are extracts from Group's annual reports for the three financial years ended 31 December 2014 reflects the position of the enlarged group.

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

LETTER FROM THE BOARD

Hotel Operation

In 2014 the travel industry had suffered lesser spending willingness from South East Asia and in particular the PRC, our largest guests segment, probably due to the low economic cycle being encountered in the PRC. The local tourist industry was further hurt by the recent escalation of anti-parallel trader protests, strong Hong Kong dollars and move by Japan and South Korea to ease travel visas to lure tourists from China. 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 in 2015. In this context, the Board believes that the coming year will be a year full of challenges as well as opportunities to hotel operators.

The prime locations of the Group's hotels such as Causeway Bay and Tsim Sha Tsui enable the Group to weather the current downturn in the industry and make it more resilient to market doldrums. The seven hotels the Group owns and operates achieved remarkable results in 2014 in terms of occupancy rates and EBITDA (earnings before interest tax depreciation and amortization) margin which are detailed as follows:

	Ramada Hotel Kowloon		Ramada Hong Kong Hotel		Best Western Grand Hotel		Best Western Hotel Causeway Bay		Best Western Hotel Harbour View		Best Western Hotel Taipa, Macau		Magnificent International Hotel, Shanghai		Total
	Avg Room Occupancy %	Avg Rate HK\$	Avg Room Occupancy %	Avg Rate HK\$	Avg Room Occupancy %	Avg Rate HK\$	Avg Room Occupancy %	Avg Rate HK\$	Avg Room Occupancy %	Avg Rate HK\$	Avg Room Occupancy %	Avg Rate HK\$	Avg Room Occupancy %	Avg Rate HK\$	
2014															
Jan	98	1,003	98	757	99	887	98	873	99	621	96	647	55	328	
Feb	99	1,098	99	811	99	918	99	926	100	632	97	859	76	332	
Mar	99	1,065	98	872	99	937	99	982	99	759	98	555	82	344	
Apr	98	1,018	98	851	99	922	98	904	98	775	N/A	N/A	90	358	
May	99	824	98	684	97	757	98	746	98	579	N/A	N/A	87	354	
Jun	99	860	98	683	99	745	99	703	99	577	N/A	N/A	88	333	
Jul	99	990	99	814	99	870	100	855	100	723	N/A	N/A	95	347	
Aug	99	1,074	99	852	99	947	99	908	99	755	N/A	N/A	96	354	
Sep	98	932	95	765	96	794	96	781	95	641	N/A	N/A	86	351	
Oct	99	1,069	97	916	98	941	98	966	97	815	N/A	N/A	91	381	
Nov	99	897	99	770	99	797	100	819	99	673	N/A	N/A	91	379	
Dec	99	983	99	786	100	854	100	808	100	688	N/A	N/A	73	329	
Avg/yr	99	984	98	797	98	866	99	856	99	687	N/A	N/A	84	351	
2014 Total	HK\$ 76,647,000	HK\$ 95,218,000	HK\$128,761,000	HK\$ 81,850,000	HK\$111,235,000	HK\$14,258,000	HK\$ 21,318,000	HK\$ 529,287,000							
Other incomes	HK\$ 5,734,000	HK\$ 2,540,000	N/A	N/A	N/A	N/A	N/A	HK\$ 770,000	N/A	N/A	N/A	N/A	HK\$ 9,044,000		
Total income	HK\$ 82,381,000	HK\$ 97,758,000	HK\$128,761,000	HK\$ 81,850,000	HK\$111,235,000	HK\$15,028,000	HK\$ 21,318,000	HK\$ 538,331,000							
Annual expenses	HK\$(33,013,000)	HK\$(44,282,000)	HK\$(46,283,000)	HK\$(34,597,000)	HK\$(46,519,000)	HK\$(7,220,000)	HK\$(15,022,000)	HK\$(226,936,000)							
EBITDA	HK\$ 49,368,000	HK\$ 53,476,000	HK\$ 82,478,000	HK\$ 47,253,000	HK\$ 64,716,000	HK\$ 7,808,000	HK\$ 6,296,000	HK\$ 311,395,000							
EBITDA Margin (Based on Revenue)	60%	55%	64%	58%	58%	52%	30%	58%							

Despite the current market difficulties, the Group still manages to achieve a year-to-date occupancy rate of 97%. The average EBDITA margin of 58% of the Group's hotels in 2014 also outranked the average 30% – 40% commanded by boutique hotels and luxury chains.

LETTER FROM THE BOARD

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

Added to that, the soon to open new hotel of the Group in the Western District with 214 rooms 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 MTR Western 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 in the area 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. However, tough operating and economic environment sometimes provides good opportunities for investment and expansion. Leveraged on the management's expertise and experience in redeveloping ageing residential projects into high-yield hotel development, the Group has grown from a single hotel of 206 rooms in 2003 to one of the largest medium-tariff hotel operators with 2,300 rooms today. After payment of the Interim Dividend and the Final Dividend and subject to Completion the Special Cash Dividend, by MEL, the Group will still have approximately HK\$1,067 million cash in hand and unutilized banking facilities of around HK\$0.2 billion. With the clear focus of business after the Transaction and 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 through MEL build its hotel operations from strength to strength. The benefits of the re-organisation proposal and further acquisition of hotels will work together to improve the future income base of the Group.

Commercial Property Investment

The Group's current portfolio of commercial properties comprise the office buildings of Shun Ho Tower, the 633 King's Road Property and shops from Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Grand Hotel, generating a rental income of HK\$119 million in 2014 (including that from Best Western Hotel Taipa, Macau of HK\$770,000 before completion of its disposal on 20 March 2014).

LETTER FROM THE BOARD

The properties rental income was analysed as follows:

	2013	2014	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
633 King's Road	73,918	89,404	+21%
Shun Ho Tower	19,565	20,461	+5%
Shops	12,318	9,044	-27%
	<u> </u>	<u> </u>	<u> </u>
Total	<u>105,801</u>	<u>118,909</u>	<u>+12%</u>

The leasing of the 633 King's Road Property, a grade A office, currently achieves an annual income of approximately HK\$96 million per annum (excluding rates and management fee incomes). The management envisages the office building will have rental increase in 2015 as most leases are due for renewal.

The Board believes that the Group's office buildings in Central and North Point will benefit from the following development in the market:

- Central will continue to serve as the centre of trade and financial services.
- Hong Kong will be a hub for Chinese companies to expand, particularly those in the banking and finance sectors. Demand for grade A office space will pick up, resulting in an uptick in rents in 2015. Thanks also to the positive spin brought about by the Shanghai/Hong Kong Stock Connect.
- In the longer term, supported by the completion of the Central-Wan Chai bypass and Island Eastern Corridor Link, due in 2017, the rental growth of key business districts on Hong Kong Island where the Group's commercial properties mainly locate will outpace the other areas.

In terms of rents for shops, retailers' affordability for prime street shops will fall although high margin trades such as watch and jewelry and high-end fashion will remain a key occupier group for street shops in prime locations. Average rents are expected to experience a drop with those for less prominent locations falling more. As far as the Group is concerned, rental incomes from shops accounted for less than 1% of the Group's total revenue. The expected decrease in retail rents therefore will not have a material adverse impact on the Group.

6. FINANCIAL EFFECTS OF THE TRANSACTION

Houston Venture and Trans-Profit are currently subsidiaries of the Company. Upon Completion, Houston Venture and Trans-Profit shall remain subsidiaries of the Company and their financial results, assets and liabilities shall continue to be consolidated into the accounts of the Group.

LETTER FROM THE BOARD

Appendix IV to this circular presents the unaudited pro forma consolidated statement of assets and liabilities at 31 December 2014 of the enlarged group and describes the basis of preparation thereof.

Assets and liabilities

As set out in Appendix IV to this circular, the unaudited pro forma consolidated statement of financial position of the Enlarged Group illustrates the effect of the completion of the Transaction on the Group, assuming that the Transaction had taken place on 31 December 2014. If the Transaction had been completed on 31 December 2014, the total assets of the Enlarged Group as at 31 December 2014 would have been decreased from approximately HK\$7,321.0 million to approximately HK\$7,239.9 million primarily attributable to the payment of the Special Cash Dividend to the MEL Shareholders other than the Company. The total liabilities of the Enlarged Group as at 31 December 2014 would have remained unchanged and amounted to approximately HK\$892.4. The Enlarged Group would have cash and cash equivalents of approximately HK\$1,084.5 million as at 31 December 2014 as if the Special Cash Dividend totaling approximately HK\$268.4 million, of which approximately HK\$190.8 million and HK\$77.6 million would have paid to the Company and MEL Shareholders other than the Company respectively, had been paid out on 31 December 2014. The Company's entitlement to the Special Cash Dividend of MEL will be retained in the Group, and the payment of the Special Cash Dividend will result in cash outflow of approximately HK\$77.6 million. The SHT Group would have maintained a cash and bank balances of approximately HK\$1,084.5 million had the Special Cash Dividend been paid out and the Transaction been completed on 31 December 2014. In view of the strong cash position of the Group including the MEL 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 MEL and the Company.

Earnings

Since the financial results of Houston Venture and Trans-Profit have been consolidated into the accounts of the Group as they are subsidiaries of the Company, the Transaction, which in effect will increase the Company's economic interest in the two companies, would not have resulted in any changes in the profit before and after taxation for the year ended 31 December 2014 on the same pro forma basis as above. In addition, the pro forma profit for the year ended 31 December 2014 attributable to non-controlling interest would have increased while earnings on a per share basis would have been slightly diluted as a result of the issue of the SHT Shares under the Transaction.

7. LISTING RULES IMPLICATIONS

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 the Company. Therefore, 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 the Shareholders for the issue of the SHT Shares which may fall to be issued under the Share Entitlement Note.

LETTER FROM THE BOARD

8. THE EGM

Set out on pages 127 to 129 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 10:00 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, and the issue of the SHT Shares which may be issued pursuant to 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 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. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective close associates have any material interest in the Transaction and thus, no Shareholders are required to abstain from voting in favour of the resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

Shareholders should note that the forthcoming annual general meeting of the Company (“AGM”) will be held on 18 June 2015. To ascertain Shareholders’ eligibility 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.

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.

9. 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 Transaction and the Sale and Purchase Agreement at the EGM.

LETTER FROM THE BOARD

10. ADDITIONAL INFORMATION

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

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

William CHENG Kai Man
Chairman

AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2012, 2013 AND 2014

The audited consolidated financial statements of the Group (a) for the year ended 31 December 2014 are set out from page 19 to page 75 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 19 to page 75 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 19 to page 75 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.shunho.com.hk>). In particular, the web links of the Annual Reports are as follows:

2012 Annual Report

<http://www.shunho.com.hk/sht/documents/ar/e%20219%20AR2012%202013%2004%2024.pdf>

2013 Annual Report

<http://www.shunho.com.hk/sht/documents/ar/e%20219%20AR2013%2020140428.pdf>

2014 Annual Report

<http://www.shunho.com.hk/sht/documents/ar/e%20219%20AnnualReport2014%202015%2004%2027.pdf>

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 Resources Holdings Limited amounting to approximately HK\$12.5 million, of which amount to approximately HK\$12.3 million carried fixed interest at 5% per annum and the remaining advance from immediate holding company carried interest at Hong Kong Interbank Offered Rate (“HIBOR”) plus 4% per annum;
- (ii) 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

- (iii) 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 MEL.

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.

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 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.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

The Group had cash and bank balances of approximately HK\$1,210 million as at 31 March 2015. The Group had cash and bank balances of approximately HK\$180 million, HK\$319 million and HK\$1,165 million as at 31 December 2012, 2013 and 2014 respectively.

Gearing ratio

The gearing ratio was approximately 25% in term of overall debt including bank loans and shareholders' loan of HK\$1,135 million against funds employed of the Group of HK\$4,568 million as at 31 December 2012.

The gearing ratio was approximately 13% in term of overall debt including bank loans and shareholders' loan of HK\$695 million against funds employed of the Group of HK\$5,535 million as at 31 December 2013.

The gearing ratio was approximately 10% in term of overall debt including bank loans and shareholders' loan of HK\$636 million against funds employed of the Group of HK\$6,429 million as at 31 December 2014.

Borrowings

All the 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 Group's properties. Interest rates on the Group's bank loans are repriced according to the HIBOR monthly. The Group's bank borrowings were mainly denominated in Hong Kong dollars. No financial instruments were used by the 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 Group pledged assets to secure bank loans of approximately HK\$5,471 million, HK\$5,899 million and HK\$5,858 million respectively.

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

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Secured bank loans	<u>1,074,411</u>	<u>676,325</u>	<u>621,733</u>
Carrying amounts of bank loan that contain a repayment on demand clause:			
Repayable within one year from the end of the reporting period	298,928	284,592	287,432
Not repayable within one year from the end of the reporting period shown under current liabilities	<u>775,483</u>	<u>391,733</u>	<u>334,301</u>
Amounts shown under current liabilities	<u>1,074,411</u>	<u>676,325</u>	<u>621,733</u>
Interest rate (per annum)	HIBOR+1%	HIBOR+2%	HIBOR+1.5%
Effective interest rate (per annum)	2.1%	2.1%	1.6%

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

SEGMENTAL ANALYSIS

For the year ended 31 December 2012, 2013 and 2014, the 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:

	2012	2013	2014
	<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	97,342	102,306	118,139
Dividend income	–	–	227
Other income	15,714	19,905	28,802
	<u>468,208</u>	<u>640,842</u>	<u>662,197</u>
Total	<u>468,208</u>	<u>640,842</u>	<u>662,197</u>

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 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 office buildings of Shun Ho Tower, 633 King's Road and shops from Ramada Hotel Kowloon and Ramada Hong Kong Hotel.

Other income was mostly property management fee income and bank interest income.

CONTINGENT LIABILITIES

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

SIGNIFICANT INVESTMENT

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

EXCHANGE RISK

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

STAFF AND REMUNERATION POLICY

For the year ended 31 December 2012, 2013 and 2014, the numbers of the staff of the Group were 650, 660 and 660 respectively and the staff remuneration was HK\$83 million, HK\$146 million and HK\$151 million respectively. The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. Magnificent Estates Limited, a subsidiary of the Company, adopted an employee share option scheme (the "**Employee Share Option Scheme**") for its employees at its extraordinary general meeting held on 14 November 2013. No option was granted under the Employee Share Option Scheme since the date of its adoption up to the Latest Practicable Date.

MATERIAL ACQUISITIONS AND DISPOSALS

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

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



德勤•關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

28 May 2015

The Directors
Shun Ho Technology Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Houston Venture Limited (“Houston Venture”) and its subsidiaries (collectively referred to as the “Houston Venture Group”) for each of the three years ended 31 December 2014 (the “Relevant Periods”) for inclusion in the circular issued by Shun Ho Technology Holdings Limited (“SHT”) dated 28 May 2015 (the “Circular”) issued in connection with, among other matters, the proposed acquisition of 100% interest of Houston Venture and its subsidiary, Tennyland Limited by SHT from Magnificent Estates Limited (“MEL”) (the “Acquisition”).

Houston Venture is a private limited company incorporated in The British Virgin Islands (“BVI”) on 30 September 1996 and is engaged in investment holding. Houston Venture’s immediate holding company, and intermediate holding companies, MEL, and SHT and Shun Ho Resources Holdings Limited, respectively, are all public limited companies incorporated in Hong Kong with their shares listed on the Stock Exchange of Hong Kong Limited.

At the end of each reporting period and at the date of this report, Houston Venture has the following subsidiaries:

Name of subsidiary	Place of incorporation	Issued and fully paid share capital	Equity interest attributable to Houston Venture as of			Date of this report	Principal activities
			31 December 2012	31 December 2013	31 December 2014		
Harbour Rich Industrial Limited (note 2)	Hong Kong	HK\$10,000	100%	100%	100%	100%	Property investment in residential units
New Champion Developments Limited	BVI	US\$1	100%	100%	100%	100%	Vessel leasing
Tennyland Limited	Hong Kong	HK\$20	100%	100%	100%	100%	Property investment in commercial units

Name of subsidiary	Place of incorporation	Issued and fully paid share capital	Equity interest attributable to Houston Venture as of			Date of this report	Principal activities
			31 December 2012	31 December 2013	31 December 2014		
Shun Ho Property Investments Limited (Formerly known as Wealth Taker Limited)	Hong Kong	HK\$1	-	-	100%	100%	Inactive
Himson Enterprises Limited (<i>Note 1</i>)	BVI	US\$1	100%	100%	-	-	Investment holding
Longham Investment Limited (<i>Note 1</i>)	BVI	US\$1	100%	100%	-	-	Investment holding
Grand-Invest & Development Company Limited (<i>Notes 1 & 2</i>)	Macau	MOP100,000	100%	100%	-	-	Hotel investment and operation in Macau

Note 1: the subsidiaries were disposed of in 2014.

Note 2: all subsidiaries are directly owned by Houston Venture, except for Grand-Invest & Development Company Limited and Harbour Rich Industrial Limited. Harbour Rich Industrial Limited was indirectly 100% owned by Houston Venture as at 31 December 2012 and was transferred to Houston Venture during the year ended 31 December 2013.

The Houston Venture Group has adopted 31 December as its financial year end date.

The statutory financial statements of Harbour Rich Industrial Limited and Tennyland Limited, for each of the three years ended 31 December 2014, were prepared in accordance with Hong Kong Financial Reporting Standards. We have performed audit of the statutory financial statements of Harbour Rich Industrial Limited and Tennyland Limited for each of the three years ended 31 December 2014 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Audited financial statements of Houston Venture and New Champion Developments Limited, for each of the three years ended 31 December 2014, and audited financial statements of Longham Investment Limited for the year ended 31 December 2012, were prepared in accordance with Hong Kong Financial Reporting Standards for management purpose only. We have performed audit of such financial statements in accordance with Hong Kong Standards on Auditing issued by HKICPA.

No audited financial statements have been prepared for Himson Enterprises Limited for each of the two years ended 31 December 2013 and Longham Investment Limited for the year ended 31 December 2013 as they are both companies incorporated in the British Virgin Islands and are not subject to statutory audit requirements.

The statutory financial statements of Wealth Taker Limited for the period from 29 April 2011 to 31 December 2014 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard and were audited by Chu Sum Wa, Lanier, Certified Public Accountants, in accordance with Hong Kong Standards on Auditing issued by HKICPA.

The statutory financial statements of Grand-Invest & Development Company Limited for each of the two years ended 31 December 2013 were prepared in accordance with Macao General Financial Reporting Standards and were audited by Baker Tilly (Macao) in accordance with Auditing Standards set out in the Macao Administrative Regulation No. 23/2004, and the Technical Auditing Standards set out in the Resolution of the Macao Secretary for Economy and Finance No. 68/2004.

For the purpose of this report, the directors of Houston Venture have prepared the consolidated financial statement of the Houston Venture Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (the “Underlying Financial Statements”). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have also examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Houston Venture Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustment was considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of Houston Venture who approved their issue. The directors of SHT are also responsible for the contents of the Circular in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of the affairs of the Houston Venture Group and Houston Venture as at 31 December 2012, 2013 and 2014, and of the Houston Venture Group’s results and cash flows for the Relevant Periods.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>NOTES</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Continuing operations				
Revenue	6	73,794	76,918	92,404
Rental outgoings		<u>(91)</u>	<u>(424)</u>	<u>(815)</u>
Net rental income		73,703	76,494	91,589
Increase in fair value of investment properties		118,300	263,232	10,000
Other income	7	13,468	14,360	12,905
Administrative expenses		(5,703)	(4,577)	(4,700)
Other expenses	7	(12,141)	(12,639)	(12,538)
Finance costs	8	<u>(5,672)</u>	<u>(3,862)</u>	<u>(2,124)</u>
Profit before taxation	9	181,955	333,008	95,132
Income tax expense	10	<u>(10,425)</u>	<u>(14,126)</u>	<u>(13,894)</u>
Profit for the year from continuing operations		171,530	318,882	81,238
Discontinuing operations				
Profit for the year from discontinued operations	18	<u>47,410</u>	<u>28,962</u>	<u>627,656</u>
Profit and total comprehensive income for the year		<u>218,940</u>	<u>347,844</u>	<u>708,894</u>
Basic earnings per share	29			
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

	NOTES	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Non-current assets				
Property, plant and equipment	12	98,247	25	523
Prepaid lease payments for land	13	24,846	–	–
Investment properties	14	2,104,920	2,202,590	2,212,590
		<u>2,228,013</u>	<u>2,202,615</u>	<u>2,213,113</u>
Current assets				
Inventories		173	–	–
Prepaid lease payments for land	13	690	–	–
Trade and other receivables	16	7,124	185	1,362
Deposits and prepayments		1,550	5,827	852
Amount due from immediate holding company	17	–	149,179	70,720
Amount due from a fellow subsidiary	17	–	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	18	–	290,560	–
		<u>68,387</u>	<u>473,893</u>	<u>88,397</u>
Current liabilities				
Trade and other payables and accruals	19	6,890	646	1,682
Deposits received		9,728	7,584	1,329
Amounts due to immediate holding company	17	150,167	14,712	32,580
Amount due to a fellow subsidiary	17	–	4,745	–
Tax liabilities		13,238	893	2,618
Bank loan	20	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	18	–	202,030	–
		<u>421,748</u>	<u>454,375</u>	<u>229,214</u>
Net current (liabilities) assets		<u>(353,361)</u>	<u>19,518</u>	<u>(140,817)</u>
Total assets less current liabilities		<u>1,874,652</u>	<u>2,222,133</u>	<u>2,072,296</u>
Capital and reserve				
Share capital	21	–	–	–
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>
Non-current liabilities				
Rental deposits received		15,034	19,582	26,365
Deferred tax liabilities	22	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>

STATEMENTS OF FINANCIAL POSITION

	<i>NOTES</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current asset				
Investments in subsidiaries	<i>15</i>	—	69	69
Current assets				
Prepayment		—	5,000	—
Amount due from immediate holding company	<i>17</i>	—	126,568	—
Amounts due from subsidiaries	<i>17</i>	—	48,188	19,500
Amount due from a fellow subsidiary	<i>17</i>	—	4,745	—
		—	184,501	19,500
Current liabilities				
Other payables		—	—	686
Deposits received		—	180,000	—
Amounts due to immediate holding company	<i>17</i>	170	—	18,882
Amount due to a fellow subsidiary	<i>17</i>	—	4,745	—
		170	184,745	19,568
Net current liabilities		(170)	(244)	(68)
Total assets less current liabilities		(170)	(175)	1
Capital and reserve				
Share capital	<i>21</i>	—	—	—
(Accumulated losses) retained profit		(170)	(175)	1
		(170)	(175)	1

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2012	–	1,617,933	1,617,933
Profit and total comprehensive income for the year	–	218,940	218,940
At 31 December 2012	–	1,836,873	1,836,873
Profit and total comprehensive income for the year	–	347,844	347,844
At 31 December 2013	–	2,184,717	2,184,717
Profit and total comprehensive income for the year	–	708,894	708,894
Interim dividend (<i>note 11</i>)	–	(867,293)	(867,293)
At 31 December 2014	–	2,026,318	2,026,318

COMPANY'S STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	(Accumulated losses) retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2012	–	(165)	(165)
Loss and total comprehensive expense for the year	–	(5)	(5)
At 31 December 2012	–	(170)	(170)
Loss and total comprehensive expense for the year	–	(5)	(5)
At 31 December 2013	–	(175)	(175)
Profit and total comprehensive income for the year	–	867,469	867,469
Interim dividend (<i>note 11</i>)	–	(867,293)	(867,293)
At 31 December 2014	–	1	1

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
OPERATING ACTIVITIES			
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	–
NET CASH FROM OPERATING ACTIVITIES	107,859	101,157	80,831
INVESTING ACTIVITIES			
Addition of property, plant and equipment	(108)	(44)	(567)
Advance to immediate holding company	–	(22,611)	(48,109)
CASH USED IN INVESTING ACTIVITIES	(108)	(22,655)	(48,676)
FINANCING ACTIVITIES			
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)
NET CASH USED IN FINANCING ACTIVITIES	(58,362)	(108,845)	(45,199)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	49,389	(30,343)	(13,044)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	9,461	58,850	28,507
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	58,850	28,507	15,463
Represented by:			
Bank balances and cash	58,850	23,397	15,463
Bank balances and cash classified as held for sale	–	5,110	–
	58,850	28,507	15,463

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Houston Venture 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 ("MEL"), Shun Ho Technology Holdings Limited and Shun Ho Resources Holdings 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 to be Trillion Resources Limited, a limited liability company incorporated in the BVI.

Houston Venture is principally engaged in investment holding, and the existing Houston Venture Group as at 31 December 2014 is principally engaged in property investing in commercial and residential units. Houston Venture had disposed of subsidiaries engaging in property investment in retail units and operation of Best Western Hotel Taipa, Macau in 2014, details of which are disclosed in note 18.

The address of the registered office and principal place of business of Houston Venture is 3 Floor, Shun Ho Tower, 24-30 Ice House Street, Central, Hong Kong.

The Financial Information is presented in Hong Kong dollar, which is also the functional currency of Houston Venture.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Financial Information has been prepared on a going concern basis because an intermediate holding company has agreed to provide adequate funds to enable Houston Venture Group and Houston Venture to meet in full its financial obligations as they fall due for the foreseeable future.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Houston Venture Group and Houston Venture have adopted all relevant HKFRSs which are effective for the accounting period beginning on 1 January 2014 consistently throughout the Relevant Periods.

The Houston Venture Group and Houston Venture have not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ⁶
HKFRS 14	Regulatory Deferral Accounts ⁴
HKFRS 15	Revenue from Contracts with Customers ⁵
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
Amendments to HKAS 1	Disclosure Initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ³
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ³

¹ Effective for accounting periods beginning on or after 1 July 2014.

² Effective for accounting periods beginning on or after 1 July 2014, with limited exceptions.

³ Effective for accounting periods beginning on or after 1 January 2016.

⁴ Effective for first annual financial statements beginning on or after 1 January 2016.

⁵ Effective for accounting periods beginning on or after 1 January 2017.

⁶ Effective for accounting periods beginning on or after 1 January 2018.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Houston Venture Group's and Houston Venture's existing business model and financial instruments as at 31 December 2014, the application of HKFRS 9 in the future may result in early recognition of credit losses based on expected loss model in relation to the Houston Venture Group's and Houston Venture's financial assets measured at amortised costs. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The management of the Houston Venture Group anticipates that the application of HKFRS 15 in the future may affect the amounts reported and related disclosures. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Houston Venture Group performs a detailed review.

Except those mentioned above, the directors of Houston Venture anticipate that the application of other new and revised HKFRSs will have no material impact on the Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for investment properties, which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA and the applicable disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The significant accounting policies adopted are as follows:

Basis of preparation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Houston Venture Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Houston Venture and entities (including structured entities) controlled by Houston Venture and its subsidiaries. Control is achieved when Houston Venture:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Houston Venture Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Houston Venture Group obtains control over the subsidiary and ceases when the Houston Venture Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Houston Venture Group gains control until the date when the Houston Venture Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of Houston Venture. Total comprehensive income of subsidiaries is attributed to the owners of Houston Venture.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Houston Venture Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Houston Venture Group are eliminated in full on consolidation.

When the Houston Venture Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Houston Venture Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Houston Venture Group, liabilities incurred by the Houston Venture Group to the former owners of the acquiree and the equity interests issued by the Houston Venture Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income Taxes” and HKAS 19 “Employee Benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Houston Venture Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 “Share-based Payment” at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Houston Venture Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Houston Venture Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Investments in subsidiaries

Investments in subsidiaries are included in Houston Venture's statements of financial position at cost less any identified impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for services provided in the normal course of business, net of discounts.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised in the profit or loss on a straight-line basis over the terms of the relevant lease.

Revenue from property management services are recognised when services are rendered.

Revenue from the operation of hotels is recognised when services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Houston Venture Group and the amount of income can be measured reliability. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated in the statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Property, plant and equipment and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories, representing inventories of food and beverages, are stated at the lower of cost and net realisable value. Costs of inventories are determined on first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less the estimated costs necessary to make the sale.

Impairment loss on tangible assets

At the end of the reporting period, the Houston Venture Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Houston Venture Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the Houston Venture Group's consolidated statements of financial position and Houston Venture's statements of financial position when the Houston Venture Group and Houston Venture become a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Houston Venture Group's and Houston Venture's financial assets are classified into loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits, amounts due from group entities and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Houston Venture Group's and Houston Venture's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Houston Venture Group and Houston Venture are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Houston Venture Group and Houston Venture after deducting all of its liabilities. Equity instruments issued by Houston Venture are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, deposits received, amounts due to immediate holding Company and a fellow subsidiary and bank loan) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Houston Venture Group and Houston Venture derecognise a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Houston Venture Group and Houston Venture derecognise financial liabilities when, and only when, the Houston Venture Group's and Houston Venture's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Houston Venture Group as lessor

Rental income from operating leases, included rentals invoiced in advance from properties let under operating leases, is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Houston Venture Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and building

When a lease includes both land and building elements, the Houston Venture Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Houston Venture Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments for land" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Houston Venture Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Houston Venture Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Houston Venture Group's defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Houston Venture Group's foreign operations are translated into the presentation currency of the Houston Venture Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

5. CRITICAL ACCOUNTING JUDGMENT

In the application of the Houston Venture Group's accounting policies, which are described in note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that management has made in the process of applying the Houston Venture Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors have reviewed the Houston Venture Group's investment properties portfolios and concluded that the Houston Venture Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Houston Venture Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Houston Venture Group has not recognised deferred taxes on changes in fair value of investment properties located in Hong Kong as the Houston Venture Group is not subject to income taxes on disposal of its investment properties while the Houston Venture Group has recognised deferred taxes on changes in fair value of investment properties located in Macau as the Houston Venture Group is subject to income taxes on disposal of investment properties located in Macau.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents rental income received and receivable from continuing operations during the Relevant Periods.

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Rental income from commercial properties	70,794	73,918	89,404
Rental income from residential units	720	720	720
Rental income from vessel	2,280	2,280	2,280
	<u>73,794</u>	<u>76,918</u>	<u>92,404</u>

The Houston Venture Group's continuing operation is holding the investment properties in Hong Kong and hence, its financial information as a whole is used by the directors of Houston Venture, being the CODM of the Houston Venture Group for the purpose of allocating resources and assessing their performance.

The financial information of the discontinued operations is set out in note 18.

Revenue from customers of the Relevant Periods contributing over 10% of the total revenue from the continuing operations are as follows:

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Customer A	8,317	8,317	9,696
Customer B	11,248	12,718	15,715
Customer C	15,550	15,550	24,128
	<u>15,550</u>	<u>15,550</u>	<u>24,128</u>

7. OTHER INCOME/OTHER EXPENSES

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Other income from continuing operations comprises:			
Property management income for provision of property management services	13,184	13,065	12,681
Hourly carpark rental	283	257	224
Bank interest income	1	1	–
Compensation from tenants	–	707	–
Sundry income	–	330	–
	<u>13,468</u>	<u>14,360</u>	<u>12,905</u>

Other expenses from continuing operations represent costs incurred for the provision of property management services.

8. FINANCE COSTS

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest from continuing operations on:			
Bank loan wholly repayable within five years	2,716	2,371	2,124
Amount due to immediate holding company	2,956	1,491	–
	<u>5,672</u>	<u>3,862</u>	<u>2,124</u>

9. PROFIT BEFORE TAXATION

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before taxation from continuing operations has been arrived at after charging:			
Auditor's remuneration	179	118	117
Depreciation of property, plant and equipment	368	20	69
Directors' emoluments	–	–	–
Management fee payable to immediate holding company	3,000	3,000	3,000
	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>

The Group does not incur any staff costs as the continuing operations of the Group are managed by the immediate holding company.

10. INCOME TAX EXPENSE

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The taxation charge from continuing operations comprises:			
Hong Kong Profits Tax			
Current year	8,520	9,508	12,125
Overprovision in prior years (<i>Note</i>)	(12)	(2,970)	(10)
	<u>8,508</u>	<u>6,538</u>	<u>12,115</u>
Deferred tax (<i>note 22</i>)			
Current year	1,917	1,839	1,779
Underprovision in prior years (<i>Note</i>)	–	5,749	–
	<u>1,917</u>	<u>7,588</u>	<u>1,779</u>
	<u>10,425</u>	<u>14,126</u>	<u>13,894</u>

Note: During the year ended 31 December 2013, the tax base of certain investment properties of a subsidiary of Houston Venture had been adjusted by reference to the tax written down value of the investment properties as agreed with the Inland Revenue Department, resulting in the overprovision of Hong Kong Profits Tax and underprovision for deferred tax expense in prior years.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for each of the three years ended 31 December 2014.

The income tax expense for the year can be reconciled to the profit before taxation as follows:

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before taxation	<u>181,955</u>	<u>333,008</u>	<u>95,132</u>
Tax at the Hong Kong Profits Tax rate of 16.5%	30,023	54,946	15,697
Tax effect of expense not deductible for tax purpose	2	20	5
Utilisation of tax losses previously not recognised	(68)	(186)	(146)
Tax effect of income not taxable for tax purpose	(19,520)	(43,433)	(1,650)
(Over) underprovision in prior years	(12)	2,779	(10)
Others	–	–	(2)
Income tax expense	<u>10,425</u>	<u>14,126</u>	<u>13,894</u>

11. DIVIDEND

	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Dividend recognised as distribution during the years:			
Interim dividend of Nil, Nil and HK\$867,293,000 per share was declared to a shareholder	–	–	867,293

12. PROPERTY, PLANT AND EQUIPMENT

	THE HOUSTON VENTURE GROUP				
	Hotel building HK\$'000	Vessels HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1 January 2012	119,000	11,774	5,636	597	137,007
Additions	–	–	108	–	108
At 31 December 2012	119,000	11,774	5,744	597	137,115
Additions	–	–	44	–	44
Transfer to assets classified as held for sale (note 18)	(119,000)	–	(5,345)	(597)	(124,942)
At 31 December 2013	–	11,774	443	–	12,217
Additions	–	559	8	–	567
Disposal	–	(29)	–	–	(29)
At 31 December 2014	–	12,304	451	–	12,755
ACCUMULATED DEPRECIATION					
At 1 January 2012	18,325	11,461	5,373	597	35,756
Provided for the year	2,649	306	157	–	3,112
At 31 December 2012	20,974	11,767	5,530	597	38,868
Provided for the year	2,649	7	81	–	2,737
Transfer to assets classified as held for sale (note 18)	(23,623)	–	(5,193)	(597)	(29,413)
At 31 December 2013	–	11,774	418	–	12,192
Provided for the year	–	56	13	–	69
Eliminated on disposal	–	(29)	–	–	(29)
At 31 December 2014	–	11,801	431	–	12,232
CARRYING AMOUNTS					
At 31 December 2012	98,026	7	214	–	98,247
At 31 December 2013	–	–	25	–	25
At 31 December 2014	–	503	20	–	523

Hotel building is situated in Macau on land under medium-term leases.

Property, plant and equipment are depreciated on a straight-line basis at the following rates:

Hotel building	50 years or over the remaining term of land lease, which ever is the shorter
Vessel	20% per annum
Furniture, fixtures and equipment	20% per annum
Motor vehicles	20% per annum

The vessels as at 31 December 2013 were in use but their costs have been fully depreciated.

13. PREPAID LEASE PAYMENTS FOR LAND

The prepaid lease payments represent the land in Macau under medium-term lease and are grouped under assets classified as held for sale during the year ended 31 December 2013.

14. INVESTMENT PROPERTIES

	THE HOUSTON VENTURE GROUP		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
At the beginning of the year	1,972,620	2,104,920	2,202,590
Adjustment on construction costs in prior years	–	(362)	–
Increase in fair value recognised in profit or loss	132,300	258,032	10,000
Transfer to assets held for sale	–	(160,000)	–
	<u> </u>	<u> </u>	<u> </u>
At the end of the year	<u>2,104,920</u>	<u>2,202,590</u>	<u>2,212,590</u>

An analysis of the Houston Venture Group's investment properties is as follows:

	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Land and buildings in Hong Kong on land held			
On long leases	1,900,000	2,160,000	2,170,000
Under medium-term leases	39,720	42,590	42,590
Land and buildings in Macau held under medium-term leases	<u>165,200</u>	<u> </u>	<u> </u>
	<u>2,104,920</u>	<u>2,202,590</u>	<u>2,212,590</u>

The fair value of the Houston Venture Group's investment properties at 31 December 2014 has been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, an independent qualified professional valuer not connected with the Houston Venture Group. The valuation report on these properties is signed by a director of DTZ Debenham Tie Leung Limited who is a member of The Hong Kong Institute of Surveyors, and were arrived at by adopting the income capitalisation method and/or the direct comparison approach by making reference to comparable sales transactions as available in the market to assess the market value of the investment properties.

The fair value of the Houston Venture Group's investment properties at 31 December 2013 has been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited and Dudley Surveyors Limited, independent qualified professional valuers not connected with the Houston Venture Group. The valuation reports on these properties are signed by directors of DTZ Debenham Tie Leung Limited and Dudley Surveyors Limited who are members of The Hong Kong Institute of Surveyors, and were arrived at by adopting the income capitalisation method and/or the direct comparison approach by making reference to comparable sales transactions as available in the market to assess the market value of the investment properties.

The fair value of the Houston Venture Group's investment properties at 31 December 2012 has been arrived at on the basis of a valuation carried out on that date by Dudley Surveyors Limited, an independent qualified professional valuer not connected with the Houston Venture Group. The valuation report on these properties is signed by a director of Dudley Surveyors Limited who was a member of The Hong Kong Institute of Surveyors, and was arrived at by adopting the direct comparison approach making reference to the recent transactions of similar properties in similar location and condition under the then prevailing market conditions. The directors of Houston Venture reassessed the fair value of commercial properties in Hong Kong using income capitalisation method and the results approximated the fair value arrived by using the direct comparison approach.

The valuers consider that it is more appropriate to change the valuation method from direct comparison approach to income capitalisation method for the commercial properties in Hong Kong and the shops of hotel located in Macau starting from the year ended 31 December 2013.

The investment properties of the Houston Venture Group were rented out under operating leases at the end of the reporting period.

In estimating the fair values of the properties, the highest and best use of the properties is their current use.

The Houston Venture Group's investment properties are located in Hong Kong and Macau and are at level 3 of the fair value hierarchy as at 31 December 2012, 2013 and 2014. There were no transfers into or out of level 3 during each of the three years ended 31 December 2014.

Details of the valuation are set out below:

Investment properties held by the Houston Venture Group	2012	2013	2014	Valuation techniques and key inputs	Significant unobservable inputs	Range/ Weighted average
	HK\$'000	HK\$'000	HK\$'000			
Commercial properties located in Hong Kong	N/A	2,160,000	2,170,000	Income capitalisation of the net income and made provisions for reversionary income potential	Capitalisation rate (the higher the capitalisation rate, the lower the fair value)	2014: 4.5% 2013: 3.5%
	1,900,000	N/A	N/A	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.	Market monthly rental rate (the higher the market monthly rental rate, the higher the fair value) Comparable market price (the higher the market price, the higher the market value)	2014: HK\$29 per square foot 2013: HK\$25 per square foot 2012: HK\$7,357 per square foot
Residential units located in Hong Kong	39,720	42,590	42,590	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.	Comparable market price (the higher the market price, the higher the market value)	2014: HK\$11,000 to HK\$13,005 per square foot 2013: HK\$11,000 to HK\$13,005 per square foot 2012: HK\$10,400 to HK\$11,894 per square foot
Shops of hotel located in Macau classified as assets held for sale	N/A	160,000	N/A	Income capitalisation of the net income and made provisions for reversionary income potential	Capitalisation rate (the higher the capitalisation rate, the lower the fair value)	2013: 3.5%

Investment properties held by the Houston Venture Group	2012	2013	2014	Valuation techniques and key inputs	Significant unobservable inputs	Range/ Weighted average
	HK\$'000	HK\$'000	HK\$'000			
					Market monthly rental rate (the higher the market monthly rental rate, the higher the fair value)	2013: HK\$27 per square foot
Shops of hotel located in Macau	165,200	N/A	N/A	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.	Comparable market price (the higher the market price, the higher the market value)	2012: HK\$3,543 to HK\$7,086 per square foot

15. INVESTMENTS IN SUBSIDIARIES

	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Investments in subsidiaries	–	69	69

Particulars of the subsidiaries are set out below:

Name of subsidiary	Place of incorporation	Issued and fully paid share capital	Equity interest attributable to Houston Venture as at 31 December			Principal activities
			2012	2013	2014	
Harbour Rich Industrial Limited (Note 2)	Hong Kong	HK\$10,000	100%	100%	100%	Property investment in residential units
New Champion Developments Limited	BVI	US\$1	100%	100%	100%	Vessel leasing
Tennyland Limited	Hong Kong	HK\$20	100%	100%	100%	Property investment in commercial units
Shun Ho Property Investment Limited (Formerly known as Wealth Taker Limited)	Hong Kong	HK\$1	–	–	100%	Inactive
Himson Enterprises Limited (Note 1)	BVI	US\$1	100%	100%	–	Investment holding
Longham Investment Limited (Note 1)	BVI	US\$1	100%	100%	–	Investment holding
Grand-Invest & Development Company Limited (Notes 1 & 2)	Macau	MOP100,000	100%	100%	–	Hotel investment and operation in Macau

Note 1: the subsidiaries are disposed of in 2014.

Note 2: all subsidiaries are directly owned by Houston Venture, except for Grand-Invest & Development Company Limited and Harbour Rich Industrial Limited. Harbour Rich Industrial Limited was indirectly 100% owed by Houston Venture as at 31 December 2012 and was transferred to Houston Venture during the year ended 31 December 2013.

16. TRADE AND OTHER RECEIVABLES

Except for a credit period of 30 to 60 days granted to travel agencies and certain customers of the hotels, the Houston Venture Group does not allow any credit period to customers. The following is an aged analysis of the Houston Venture Group's trade receivables presented based on the invoice date at the end of the reporting period:

	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Not yet due	3,823	25	1,059
Overdue:			
0-30 days	1,955	–	–
31-60 days	306	–	–
61-90 days	39	–	–
	<u>6,123</u>	<u>25</u>	<u>1,059</u>
Analysed for reporting as:			
Trade receivables	6,123	25	1,059
Other receivables	<u>1,001</u>	<u>160</u>	<u>303</u>
	<u>7,124</u>	<u>185</u>	<u>1,362</u>

Before accepting any new customer, the Houston Venture Group has assessed the potential customer's credit quality and defined credit rating limits. 62%, 100% and 100% of the trade receivables as at 31 December 2012, 2013 and 2014 are neither past due nor impaired, and no impairment has been made to these trade receivables, as the directors believe that the amounts are with good credit quality.

Included in the Houston Venture Group's trade receivable balance are debtors with aggregate carrying amount of HK\$2,300,000 as at 31 December 2012 which is past due at the end of the reporting period for which the Houston Venture Group has not provided for impairment loss, by taking into account the past default experience. The Houston Venture Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Overdue:			
0-30 days	1,955	–	–
31-60 days	306	–	–
61-90 days	39	–	–
	<u>2,300</u>	<u>–</u>	<u>–</u>

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors of Houston Venture believe that there is no further credit provision required.

17. AMOUNTS DUE FROM (TO) IMMEDIATE HOLDING COMPANY/SUBSIDIARIES/A FELLOW SUBSIDIARY**The Houston Venture Group**

Except for the advance from immediate holding company amounted to HK\$47,027,000 as at 31 December 2012, which is unsecured, bears fixed interest at 5% per annum and repayable on demand, the remaining advance from immediate holding company as at 31 December 2012, 2013 and 2014 is unsecured, interest-free and repayable on demand.

The amounts due from immediate holding company and a fellow subsidiary, and amount due to a fellow subsidiary are unsecured, interest-free and repayable on demand. The directors expect that the amounts due from these related parties will be settled within twelve months from the end of the reporting period and thus classified as current asset.

Houston Venture

The amounts are unsecured, interest-free and repayable on demand.

18. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 20 December 2013, the Houston Venture Group entered into an agreement with an independent third party for the disposal of Houston Venture's entire equity interest in Himson Enterprises Limited ("Himson") and Longham Investment Limited ("Longham"), the wholly-owned subsidiaries of the 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 Houston Venture Group received HK\$180,000,000 as deposit and included in liabilities associated with assets classified as held for sale as at 31 December 2013.

The profit arising from the discontinued operations during each of the two years ended 31 December 2013 and from 1 January 2014 to 20 March 2014 (date of completion of the Disposal) is as follows:

	Year ended 2012 HK\$'000	Year end 2013 HK\$'000	1 January 2014 to 20 March 2014 HK\$'000
Revenue	68,009	67,799	15,028
Cost of sales	(1,593)	(854)	(177)
Other service costs	(24,085)	(26,121)	(6,958)
Depreciation of property, plant and equipment and release of prepaid lease payments for land	(3,434)	(3,407)	–
Gross profit	38,897	37,417	7,893
Increase (decrease) in fair value of investment properties	14,000	(5,200)	–
Other income	927	896	–
Administrative expenses	(572)	(880)	–
Profit before taxation	53,252	32,233	7,893
Income tax expense (<i>Note a</i>)	(5,842)	(3,271)	(715)
Profit for the year/period	47,410	28,962	7,178
Gain on disposal of discontinued operations	–	–	620,478
Profit and total comprehensive income for the year/period from discontinued operations attributable to owner of Houston Venture	47,410	28,962	627,656

Note (a):

	Year ended 2012 HK\$'000	Year end 2013 HK\$'000	1 January 2014 to 20 March 2014 HK\$'000
Macau Profits Tax	3,839	3,573	715
Deferred tax	2,003	(302)	–
	<u>5,842</u>	<u>3,271</u>	<u>715</u>

Profit for the year/period from discontinued operations includes the following:

	Year ended 2012 HK\$'000	Year end 2013 HK\$'000	1 January 2014 to 20 March 2014 HK\$'000
Auditor's remuneration	126	138	138
Depreciation of property, plant and equipment	2,744	2,717	–
Release of prepaid lease payments for land	690	690	–
Staff costs and retirement benefit scheme contributions	14,665	16,627	4,723
	<u>16,665</u>	<u>16,627</u>	<u>4,723</u>

Cash flows from discontinued operations:

	Year ended 2012 HK\$'000	Year end 2013 HK\$'000	1 January 2014 to 20 March 2014 HK\$'000
Net cash inflows from operating activities	38,546	37,630	3,534
Net cash outflows from investing activities	(101)	(34)	–
Net cash outflows from financing activities	(38,087)	(38,427)	(7,896)
	<u>358</u>	<u>(831)</u>	<u>(4,362)</u>

The major classes of assets and liabilities of Himson and Longham classified as held for sale as at 31 December 2013 are as follows:

	2013 HK\$'000
Property, plant and equipment (Note a)	95,529
Prepaid lease payments for land (Note a)	24,846
Investment properties (Note a)	160,000
Inventories	192
Trade and other receivables (Note b)	4,525
Other deposits and prepayments	358
Bank balances and cash	5,110
	<u>290,560</u>
Total assets classified as held for sale	<u>290,560</u>

	2013 HK\$'000
Trade and other payable and accruals (<i>Note b</i>)	4,051
Deposits received	2,210
Tax liabilities	3,572
Deferred tax liabilities	12,197
	<u>22,030</u>
Deposit from purchaser	180,000
Total liabilities associated with assets classified as held for sale	<u>202,030</u>

Notes:

- (a) Property, plant and equipment, prepaid lease payments for land and investment properties are held under medium-term lease in Macau.
- (b) Trade receivables and trade payables presented based on the invoice date at the end of the reporting period. The trade receivables are not yet due while the trade payables are aged 0-30 days.

The Disposal was completed on 20 March 2014. The net assets of the subsidiaries at the date of disposal were as follows:

	HK\$'000
Property, plant and equipment	95,529
Prepaid lease payments for land	24,846
Investment properties (<i>note</i>)	160,000
Trade and other receivables	296
Other deposits and prepayments	205
Bank balances and cash	748
Deposits received	(1,615)
Deferred tax liabilities	(12,197)
	<u>267,812</u>
Net assets disposal of	<u>267,812</u>
Gain on disposal of subsidiaries:	
Cash consideration received	900,000
Net assets disposed of	(267,812)
Legal and professional fees directly attributable to the Disposal	(11,710)
	<u>620,478</u>
Gain on disposal	<u>620,478</u>

Net cash inflow arising on disposal:

	HK\$'000
Cash consideration	900,000
Deposits received during the year ended 31 December 2013	(180,000)
Legal and professional fees paid during the year ended 31 December 2014	(6,710)
Bank balances and cash disposed of	(748)
	<u>712,542</u>
Net cash inflow (<i>note 23</i>)	<u>712,542</u>

Note: The directors considered the carrying amount of the investment properties at the date of disposal approximate to their fair values.

19. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an aged analysis of the Houston Venture Group's trade payables presented based on the invoice date at the end of the reporting period:

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0-30 days	1,281	–	–
31-60 days	212	–	–
61-90 days	489	–	–
	<u>1,982</u>	<u>–</u>	<u>–</u>
Analysed for reporting as:			
Trade payables	1,982	–	–
Other payables and accruals	4,908	646	1,682
	<u>6,890</u>	<u>646</u>	<u>1,682</u>

The average credit period on trade payables is up to 30 days. The Houston Venture Group has financial risk management policies in place to ensure that all payables within credit timeframe.

20. BANK LOAN

	THE HOUSTON VENTURE GROUP		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Secured bank loan	<u>241,725</u>	<u>223,765</u>	<u>191,005</u>
Carrying amounts of bank loan that contain a repayment on demand clause:			
Repayable within one year from the end of the reporting period based on scheduled repayment dates	17,960	32,760	32,760
Not repayable within one year from the end of the reporting period based on scheduled repayment dates	<u>223,765</u>	<u>191,005</u>	<u>158,245</u>
Amount shown under current liabilities	<u>241,725</u>	<u>223,765</u>	<u>191,005</u>

The bank loan, which is denominated in Hong Kong dollars and secured by the pledge of the investment properties (note 14), carries interest at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin per annum for each of the three years ended 31 December 2014 per annum. Effective interest rate is 1.06%, 1.01% and 1.04% per annum as at 31 December 2012, 2013 and 2014, respectively.

21. SHARE CAPITAL

	2012 <i>US\$</i>	2013 <i>US\$</i>	2014 <i>US\$</i>
Authorised – 50,000 ordinary share of US\$1:	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Issued and fully paid – 1 share of US\$1 shown in Financial Information	–	–	–

22. DEFERRED TAX LIABILITIES/ASSET

The following are the deferred tax liabilities/(asset) of the Houston Venture Group recognised and movements thereon during the Relevant Periods:

	Business combination HK\$'000	Fair value of investment properties HK\$'000	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2012	6,511	4,945	7,419	(50)	18,825
(Credit) charge to profit or loss	(172)	1,680	2,374	38	3,920
At 31 December 2012	6,339	6,625	9,793	(12)	22,745
(Credit) charge to profit or loss	(172)	(625)	8,222	(139)	7,286
Transfer to liabilities associated with assets classified as held for sale (<i>note 18</i>)	(6,167)	(6,000)	(30)	–	(12,197)
At 31 December 2013	–	–	17,985	(151)	17,834
Charge (credit) to profit or loss	–	–	1,843	(64)	1,779
At 31 December 2014	–	–	19,828	(215)	19,613

As at 31 December 2012, 2013 and 2014, the Houston Venture Group has unused tax losses of HK\$2,954,000, HK\$2,671,000 and HK\$2,176,000 available to offset against future profits. A deferred tax asset has been recognised in respect of such losses to the extent of HK\$71,000, HK\$916,000 and HK\$1,303,000 as at 31 December 2012, 2013 and 2014. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$2,883,000, HK\$1,755,000 and HK\$873,000 as at 31 December 2012, 2013 and 2014 due to the unpredictability of future profit streams. All the unrecognised tax losses may be carried forward indefinitely.

23. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2013, deposit received from disposal of subsidiaries amounted to HK\$180,000,000 was received by the immediate holding company on behalf of Houston Venture and the prepayment of legal and professional fee for the disposal of subsidiaries amounted to HK\$5,000,000 was paid by the immediate holding company.

During the year ended 31 December 2014, net proceeds from disposal of subsidiaries amounted to HK\$712,542,000 was received by the immediate holding company on behalf of Houston Venture. Further details of the disposal are set out in note 18 above.

Interim dividend of HK\$867,293,000 was declared during the year ended 31 December 2014, and was offset against amount due from immediate holding company.

24. OPERATING LEASE COMMITMENTS

Rental income from investment properties and vessels earned during each of the three years ended 31 December 2014 amounted to HK\$71,514,000, HK\$74,638,000 and HK\$90,124,000 and HK\$2,280,000, HK\$2,280,000 and HK\$2,280,000, respectively.

The properties under leases have committed tenants for the next one to three years from the end of the reporting period without termination options granted to the tenants.

At the end of the reporting period, the Houston Venture Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	74,944	83,112	92,233
More than one year but not more than five years	27,124	124,890	106,160
	<u>102,068</u>	<u>208,002</u>	<u>198,393</u>

25. PLEDGE OF ASSETS

At the end of the reporting period, the bank loan facilities of the Houston Venture Group were secured by the following:

- (a) Assignment of the rental income of Tennyland Limited;
- (b) A corporate guarantee from an intermediate holding Company for the full amount of the facility;
- (c) A share mortgage over all the issued shares of the Houston Venture Group;
- (d) A subordination agreement incorporating an assignment of loans from shareholders and/or other parties; and
- (e) Investment properties of Tennyland Limited with carrying amount of HK\$1,900,000,000, HK\$2,160,000,000 and HK\$2,170,000,000 as at 31 December 2012, 2013 and 2014, respectively.

26. RELATED PARTY TRANSACTIONS

Apart from the outstanding balances with immediate holding company, subsidiaries and a fellow subsidiary as disclosed in the consolidated/Company's statements of financial position and note 17, the Houston Venture Group entered into the following transactions with the following related parties during the Relevant Periods:

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Expenses charged by immediate holding company:			
Management fee charges	3,000	3,000	3,000
Interest expenses on advances to the Houston Venture Group	2,956	1,491	–
	<u>396</u>	<u>–</u>	<u>–</u>
Rental expense charged by a fellow subsidiary	396	–	–
	<u>396</u>	<u>–</u>	<u>–</u>
Rental income from fellow subsidiaries:			
From investment properties	720	720	720
From vessel	2,280	2,280	2,280
	<u>2,280</u>	<u>2,280</u>	<u>2,280</u>

27. CAPITAL RISK MANAGEMENT

The Houston Venture Group manages its capital to ensure that the Houston Venture Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Houston Venture Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Houston Venture Group consists of net debts, which include the amounts due to immediate holding company and bank loan, and equity attributable to owners of Houston Venture, comprising issued share capital and retained profits as disclosed in the consolidated statements of changes in equity.

The management of the Houston Venture Group reviews the capital structure periodically. As a part of this review, the management of the Houston Venture Group considers the cost of capital and the risks associated with each class of capital. Based on the recommendations by the management of the Houston Venture Group, the Houston Venture Group will balance its overall capital structure through the payment of dividends, as well as the issue of new debt or the redemption of existing debts.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE HOUSTON VENTURE GROUP		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Financial assets</i>			
Loans and receivables (including cash and cash equivalents)	<u>67,387</u>	<u>178,270</u>	<u>88,312</u>
<i>Financial liabilities</i>			
Amortised cost	<u>396,841</u>	<u>243,706</u>	<u>224,400</u>
	HOUSTON VENTURE		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Financial assets</i>			
Loans and receivables	<u>–</u>	<u>179,501</u>	<u>19,500</u>
<i>Financial liabilities</i>			
Amortised cost	<u>170</u>	<u>4,745</u>	<u>18,882</u>

(b) Financial risk management objectives and policies

The management of the Houston Venture Group and Houston Venture monitors and manages the financial risks relating to the operations of the Houston Venture Group through the monitoring procedures. These risks include market risk (including interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Houston Venture Group and Houston Venture do not enter into derivative financial instruments for hedging or speculative purpose.

There has been no significant change to the Houston Venture Group's and Houston Venture's exposure to financial risks or the manner in which it manages and measures the risks.

(i) Interest rate risk management

The Houston Venture Group is exposed to fair value interest risk in relation to amount due to immediate holding company as at 31 December 2012 which carries fixed rate.

The Houston Venture Group is exposed to cash flow interest rate risk in relation to its bank loan which is subject to floating interest rates. The Houston Venture Group currently does not have any interest rate hedging policy. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure. The Houston Venture Group's interest rate risk is mainly concentrated on the fluctuation of HIBOR on bank loan.

The Houston Venture Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analysis for the Houston Venture Group below have been determined based on the exposure to interest rates for non-derivative instruments including floating-rate bank loan at the end of the reporting period. For floating-rate financial instrument, the analysis is prepared assuming the amount of financial instrument is outstanding for the whole year. A 50 basis points increase or decrease is used which represents management's assessment of the possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Houston Venture Group's profit for each of the three years ended 31 December 2014 would decrease/increase by HK\$1,009,000, HK\$934,000 and HK\$797,000. This is mainly attributable to the Houston Venture Group's exposure to interest rates on its floating-rate bank loan.

The effect on bank balances has not been taken into account in preparing the sensitivity analysis because the effect involved is not significant.

(ii) Credit risk management

The Houston Venture Group's and Houston Venture's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated/Company's statements of financial position.

Other than the amounts due from the group entities for which the directors of Houston Venture consider to be manageable, the Houston Venture Group's and Houston Venture's credit risk is primarily attributable to trade and other receivables. In order to minimise the credit risk, the management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Houston Venture Group and Houston Venture review the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Houston Venture consider that the Houston Venture Group's and Company's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Except for amounts due from immediate holding company and a fellow subsidiary, the Houston Venture Group has no significant concentration of credit risk on trade receivables and other receivables, with exposure spread over a number of counterparties and customers.

Except for amount due from immediate holding company as at 31 December 2013, Houston Venture has no significant concentration of credit risk on amount due from group entities, with exposure spread over a number of entities.

*(iii) Liquidity risk management**The Houston Venture Group*

The Houston Venture Group had net current liabilities of approximately HK\$353,361,000 and HK\$140,817,000 at 31 December 2012 and 2014 which included bank loan of HK\$241,725,000 and HK\$191,005,000. The directors of Houston Venture closely monitor the cash flows of the Houston Venture Group and, upon maturity, would arrange the renewal and refinancing of the bank loan where necessary, to enable the Houston Venture Group to carry on its operations in the foreseeable future. An intermediate holding company has agreed to provide adequate funds to enable the Houston Venture Group to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the directors of Houston Venture are of the opinion that the Houston Venture Group's liquidity risk is minimal.

The following tables detail the Houston Venture Group's remaining contractual maturity for its non-derivative financial liabilities based on agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Houston Venture Group can be required to pay. The table includes both interest and principal cash flows. To the extent the interest flows are floating rate, the undiscounted amount is derived from existing interest rate at the end of the reporting period.

Specifically, for term loan which contains a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the bank was to invoke the unconditional right to call the loan with immediate effect.

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2012							
Non-interest bearing instruments (others)	–	108,089	–	–	–	108,089	108,089
Amount due to immediate holding company							
– fixed rate	5.00	47,027	–	–	–	47,027	47,027
Bank loan							
– variable interest rates	1.06	241,725	–	–	–	241,725	241,725
		396,841	–	–	–	396,841	396,841
Non-interest bearing (deposits received)	–	170	–	8,111	15,034	23,315	23,315
		397,011	–	8,111	15,034	420,156	420,156

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2013							
Non-interest bearing instruments (others)	–	19,941	–	–	–	19,941	19,941
Bank loan							
– variable interest rates	1.01	223,765	–	–	–	223,765	223,765
		243,706	–	–	–	243,706	243,706
Non-interest bearing (deposits received)	–	853	1,604	5,127	19,582	27,166	27,166
		244,559	1,604	5,127	19,582	270,872	270,872

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2014							
Non-interest bearing instruments (others)	–	33,395	–	–	–	33,395	33,395
Bank loan							
– variable interest rates	1.04	191,005	–	–	–	191,005	191,005
		224,400	–	–	–	224,400	224,400
Non-interest bearing (deposits received)	–	5	1,324	–	26,365	27,694	27,694
		224,405	1,324	–	26,365	252,094	252,094

The table below summarises the maturity analysis of term loan with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreement. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the “on demand or less than 1 month” time band in the maturity analysis contained in the table above. Taking into account the Houston Venture Group’s financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

	Maturity Analysis – Term loan subject to a repayment on demand clause based on scheduled repayments					Total
	Less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	undiscounted cash flows
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
2012	<u>1,468</u>	<u>2,911</u>	<u>14,589</u>	<u>139,289</u>	<u>94,155</u>	<u>252,412</u>
2013	<u>2,923</u>	<u>5,826</u>	<u>26,133</u>	<u>136,183</u>	<u>60,546</u>	<u>231,611</u>
2014	<u>2,898</u>	<u>5,773</u>	<u>25,912</u>	<u>134,943</u>	<u>27,334</u>	<u>196,860</u>

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Houston Venture

Houston Venture had net current liabilities of HK\$170,000, HK\$244,000 and HK\$68,000 at 31 December 2012, 2013 and 2014, respectively. An intermediate holding company has agreed to provide adequate funds to enable Houston Venture to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the directors of Houston Venture are of the opinion that Houston Venture’s liquidity risk is minimal.

Houston Venture’s financial liabilities are non-interest bearing and repayable on demand as at 31 December 2012, 2013 and 2014.

(c) **Fair values of financial instruments**

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of Houston Venture consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated/Company’s statements of financial position approximate their fair values.

29. EARNINGS PER SHARE

The calculation of the basic earnings per share from continuing and discontinuing operations is based on the profit from continuing and discontinuing operations of HK\$218,940,000, HK\$347,844,000 and HK\$708,894,000 for the year ended 31 December 2012, 2013 and 2014, respectively, on 1 share in issue during the Relevant Periods.

The calculation of the basic earnings per share from continuing operations is based on the profit from continuing operations of HK\$171,530,000, HK\$318,882,000 and HK\$81,238,000 for the year ended 31 December 2012, 2013 and 2014, respectively, on 1 share in issue during the Relevant Periods.

Diluted earnings per share are not presented as there are no potential ordinary shares exist during the Relevant Periods.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Houston Venture Group have been prepared in respect of any period subsequent to 31 December 2014.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong



德勤•關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

28 May 2015

The Directors
Shun Ho Technology Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Trans-Profit Limited (“Trans-Profit”) for each of the three years ended 31 December 2014 (the “Relevant Periods”) for inclusion in the circular issued by Shun Ho Technology Holdings Limited (“SHT”) dated 28 May 2015 (the “Circular”) issued in connection with, among other matters the proposed acquisition of 68% interest of Trans-Profit by SHT from a subsidiary of Magnificent Estates Limited (“MEL”) (the “Acquisition”).

Trans-Profit is a private limited company incorporated in Hong Kong on 13 August 1991 and is engaged in property investment. Trans-Profit has adopted 31 December as its financial year end date.

Trans-Profit’s immediate holding company is Longham Investment Limited, also a private limited company incorporated in Hong Kong. Its intermediate holding companies are MEL, SHT and SHR, all public limited companies incorporated in Hong Kong with their shares listed on the Stock Exchange of Hong Kong Limited.

The statutory financial statements of Trans-Profit for each of the three years ended 31 December 2014 (the “Underlying Financial Statements”) were prepared in accordance with Hong Kong Financial Reporting Standards. We have performed audit of the statutory financial statements of Trans-Profit for each of the three years ended 31 December 2014 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Financial Information of Trans-Profit for the Relevant Periods as set out in this report has been prepared from the Underlying Financial Statements. No adjustments to the Underlying Financial Statements were considered necessary for the purpose of preparing our report for inclusion in the Circular.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Underlying Financial Statements are the responsibility of the directors of Trans-Profit who approved their issue. The directors of SHT are also responsible for the contents of the Circular in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of Trans-Profit’s affairs as at 31 December 2012, 2013 and 2014, and of its results and cash flows for the Relevant Periods.

A. FINANCIAL INFORMATION

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>NOTES</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	6	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	13	71,886	9,950	17,900
Other income	7	2,318	2,337	2,696
Administrative expenses		(4,130)	(3,652)	(3,658)
Other expenses	7	(2,317)	(2,333)	(2,368)
Finance costs	8	<u>(4,669)</u>	<u>(4,620)</u>	<u>(2,406)</u>
Profit before taxation	9	81,162	21,798	33,481
Income tax expense	10	<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	24	<u>80</u>	<u>20</u>	<u>31</u>

STATEMENTS OF FINANCIAL POSITION

	<i>NOTES</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	<i>12</i>	9	6	4
Investment properties	<i>13</i>	559,000	569,000	587,000
		<u>559,009</u>	<u>569,006</u>	<u>587,004</u>
Current assets				
Trade receivables	<i>14</i>	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>
Current liabilities				
Trade and other payables and accruals	<i>15</i>	1,809	451	618
Tenants' deposits		1,137	2,383	1,983
Amounts due to intermediate holding companies	<i>16</i>	92,698	89,754	189,435
Amount due to immediate holding company	<i>16</i>	4,135	–	–
Tax liabilities		236	491	614
		<u>100,015</u>	<u>93,079</u>	<u>192,650</u>
Net current liabilities		<u>(98,756)</u>	<u>(92,261)</u>	<u>(190,576)</u>
Total assets less current liabilities		<u>460,253</u>	<u>476,745</u>	<u>396,428</u>
Capital and reserve				
Share capital	<i>17</i>	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>
Non-current liabilities				
Tenants' deposits		4,250	3,192	4,089
Deferred tax liabilities	<i>18</i>	3,693	4,002	4,285
		<u>7,943</u>	<u>7,194</u>	<u>8,374</u>
		<u>460,253</u>	<u>476,745</u>	<u>396,428</u>

STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <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 (<i>note 11</i>)	<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 (<i>note 11</i>)	<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>

STATEMENTS OF CASH FLOWS

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
OPERATING ACTIVITIES			
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	2	3	2
	<u> </u>	<u> </u>	<u> </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	304	188	497
	<u> </u>	<u> </u>	<u> </u>
Cash generated from operations	14,257	15,103	18,659
Hong Kong Profits Tax paid	(931)	(1,393)	(2,138)
	<u> </u>	<u> </u>	<u> </u>
NET CASH FROM OPERATING ACTIVITIES	<u>13,326</u>	<u>13,710</u>	<u>16,521</u>
CASH USED IN INVESTING ACTIVITY			
Addition of investment properties	(591)	(50)	(100)
	<u> </u>	<u> </u>	<u> </u>
FINANCING ACTIVITIES			
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	–	(4,135)	–
	<u> </u>	<u> </u>	<u> </u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(11,726)</u>	<u>(14,299)</u>	<u>(15,159)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>1,009</u>	<u>(639)</u>	<u>1,262</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>48</u>	<u>1,057</u>	<u>418</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balance	<u>1,057</u>	<u>418</u>	<u>1,680</u>

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

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 (“MEL”), Shun Ho Technology Holdings Limited and Shun Ho Resources Holdings Limited, 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.

Trans-Profit is principally engaged in property investment.

The address of the registered office and principal place of business of Trans-Profit is 3 Floor, Shun Ho Tower, 24-30 Ice House Street, Central, Hong Kong.

The Financial Information is presented in Hong Kong dollar, which is also the functional currency of Trans-Profit.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Financial Information has been prepared on a going concern basis because an intermediate holding company has agreed to provide adequate funds to enable Trans-Profit to meet in full its financial obligations as they fall due for the foreseeable future.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, Trans-Profit has adopted all relevant HKFRSs which are effective for the accounting period beginning on 1 January 2014 consistently throughout the Relevant Periods.

Trans-Profit has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ⁶
HKFRS 14	Regulatory Deferral Accounts ⁴
HKFRS 15	Revenue from Contracts with Customers ⁵
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
Amendments to HKAS 1	Disclosure Initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ³
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ³

¹ Effective for accounting periods beginning on or after 1 July 2014.

² Effective for accounting periods beginning on or after 1 July 2014, with limited exceptions.

³ Effective for accounting periods beginning on or after 1 January 2016.

⁴ Effective for first annual financial statements beginning on or after 1 January 2016.

⁵ Effective for accounting periods beginning on or after 1 January 2017.

⁶ Effective for accounting periods beginning on or after 1 January 2018.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The management of Trans-Profit anticipates that the application of HKFRS 15 in the future may affect the amounts reported and related disclosures. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until Trans-Profit performs a detailed review.

Except those mentioned above, the directors of Trans-Profit anticipate that the application of other new and revised HKFRSs will have no material impact on the Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for investment properties, which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA and the applicable requirements of the Hong Kong Companies Ordinance, which for the years ended 31 December 2012, 2013 and 2014 continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The significant accounting policies adopted are as follows:

Basis of preparation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Trans-Profit takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for services provided in the normal course of business, net of discounts.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised in the profit or loss on a straight-line basis over the terms of the relevant lease.

Revenue from property management services are recognised when services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to Trans-Profit and the amount of income can be measured reliability. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated in the statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment loss on tangible assets

At the end of the reporting period, Trans-Profit reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, Trans-Profit estimates the recoverable

amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in Trans-Profit's statements of financial position when Trans-Profit becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Trans-Profit's financial assets are classified into loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and bank balance) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Trans-Profit's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by Trans-Profit are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of Trans-Profit after deducting all of its liabilities. Equity instruments issued by Trans-Profit are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables and amounts due to intermediate holding companies and immediate holding company) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Trans-Profit derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Trans-Profit derecognises financial liabilities when, and only when, Trans-Profit's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Trans-Profit as lessor

Rental income from operating leases, included rentals invoiced in advance from properties let under operating leases, is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Trans-Profit as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Trans-Profit's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Trans-Profit expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. CRITICAL ACCOUNTING JUDGMENT

In the application of Trans-Profit's accounting policies, which are described in note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that management has made in the process of applying Trans-Profit's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors have reviewed Trans-Profit's investment properties and concluded that Trans-Profit's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring Trans-Profit's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, Trans-Profit has not recognised deferred taxes on changes in fair value of investment properties located in Hong Kong as Trans-Profit is not subject to income taxes on disposal of its investment properties.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents rental income from investment properties received and receivable during the Relevant Periods.

Trans-Profit's operation is holding the properties of Shun Ho Tower in Hong Kong and hence, its financial information as a whole is used by the directors of Trans-Profit, being CODM of Trans-Profit, for the purpose of allocating resources and assessing their performance.

Revenue from a customer amounting to HK\$2,158,000, HK\$2,206,000 and HK\$2,206,000 for the year ended 31 December 2012, 2013 and 2014, respectively, contributes over 10% of the total revenue.

7. OTHER INCOME/OTHER EXPENSES

	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Other income comprises:			
Property management income for provision of property management services	2,318	2,337	2,696

Other expenses represent costs incurred for the provision of property management services.

8. FINANCE COSTS

Finance costs represent interests on amounts due to intermediate holding companies.

9. PROFIT BEFORE TAXATION

	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Profit before taxation has been arrived at after charging:			
Auditor's remuneration	170	108	108
Depreciation of property, plant and equipment	2	3	2
Directors' emoluments	–	–	–
Management fee payable to an intermediate holding Company	3,500	3,500	3,500
Operating lease rental in respect of land and building	396	–	–
	<u>396</u>	<u>–</u>	<u>–</u>

Trans-profit does not incur any staff costs as the operation of Trans-profit is managed by an intermediate holding company.

10. INCOME TAX EXPENSE

	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
The taxation charge comprises:			
Hong Kong Profits Tax			
Current year	1,167	1,658	2,271
Overprovision in prior years	(12)	(10)	(10)
	<u>1,155</u>	<u>1,648</u>	<u>2,261</u>
Deferred tax (<i>note 18</i>)			
Current year	336	309	283
	<u>336</u>	<u>309</u>	<u>283</u>
	<u>1,491</u>	<u>1,957</u>	<u>2,544</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for each of the three years ended 31 December 2014.

The income tax expense for the year can be reconciled to the profit before taxation as follows:

	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Profit before taxation	81,162	21,798	33,481
Tax at the Hong Kong Profits Tax rate of 16.5%	13,392	3,597	5,524
Tax effect of income not taxable for tax purpose	(11,861)	(1,642)	(2,954)
Overprovision in prior years	(12)	(10)	(10)
Others	(28)	12	(16)
	<u>1,491</u>	<u>1,957</u>	<u>2,544</u>

11. DIVIDEND

	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Dividend recognised as distribution during the year:			
Interim dividend of Nil, HK\$2.6 and HK\$112,434 per share was declared to shareholders	–	2,600	112,434
	<u>–</u>	<u>2,600</u>	<u>112,434</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment <i>HK\$'000</i>
COST	
At 1 January 2013, 31 December 2013 and 31 December 2014	12
DEPRECIATION	
At 1 January 2012	1
Provided for the year	2
At 31 December 2012	3
Provided for the year	3
At 31 December 2013	6
Provided for the year	2
At 31 December 2014	8
CARRYING AMOUNTS	
At 31 December 2014	4
At 31 December 2013	6
At 31 December 2012	9

Furniture, fixtures and equipment are depreciated on a straight-line basis at 20% per annum.

13. INVESTMENT PROPERTIES

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Land and buildings in Hong Kong on land held on long lease at fair value:			
At the beginning of the year	485,000	559,000	569,000
Additions	2,114	50	100
Increase in fair value recognised in profit or loss	71,886	9,950	17,900
At the end of the year	559,000	569,000	587,000

The fair values of Trans-Profit's investment properties at 31 December 2013 and 2014 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, an independent qualified professional valuer not connected with Trans-Profit. The valuation reports on these properties are signed by a director of DTZ Debenham Tie Leung Limited who is a member of The Hong Kong Institute of Surveyors, and were arrived at by adopting the income capitalisation method and/or by making reference to comparable sales transactions as available in the market to assess the market value of the investment properties.

The fair value of Trans-Profit's investment properties at 31 December 2012 has been arrived at on the basis of a valuation carried out on that date by Dudley Surveyors Limited, an independent qualified professional valuer not connected with Trans-Profit. The valuation report on these properties is signed by a director of Dudley Surveyors Limited who is a member of The Hong Kong Institute of Surveyors, and was arrived at by adopting the direct comparison approach making reference to the recent transactions of similar properties in similar location and condition under the then prevailing market conditions. The directors of Trans-Profit reassessed the fair value of the investment properties in Hong Kong using income capitalisation method and the results approximated the fair value arrived by using the direct comparison approach.

The valuers consider that it is more appropriate to change the valuation method from direct comparison approach to income capitalisation method starting from the year ended 31 December 2013.

The investment properties of Trans-Profit were rented out under operating leases at the end of the reporting period.

In estimating the fair values of the properties, the highest and best use of the properties is their current use.

The income capitalisation approach estimates the values of the properties on an open market basis by capitalising rental income on a fully leased basis having regard to the current passing rental income from existing tenancies and potential future reversionary income at the market level. In this valuation method, the rental income is divided into a current passing rental income over the existing lease and a potential future reversionary rental income over the residual land lease period. The term value involves the capitalisation of the current passing rental income over the existing lease term. The reversionary value is taken to be current market rental income upon the expiry of the lease and is capitalised on a fully leased basis. In this approach, the valuers have considered the term yield and reversionary yield. The term yield is used for capitalisation of the current passing rental income as at the date of valuation whilst the reversionary yield is used to convert reversionary rental income.

Key inputs used to determine fair values are as follows:

For the year ended 31 December 2013 and 2014

(a) Capitalisation rate

It is estimated based on market lease over market value on comparable properties. The higher the capitalisation rate used, the lower the fair values of the investment properties. The market capitalisation rate of 4% and 4% for years ended 31 December 2013 and 2014 are adopted.

(b) Market rent

It is estimated based on the market rental on comparable properties. The higher the market rent used, the higher the fair values of the investment properties. The average monthly rental of HK\$35 and HK\$36 per square foot for the years ended 31 December 2013 and 2014 are adopted.

For the year ended 31 December 2012

(a) Market transaction price

It is estimated based on the market transaction comparable. The higher the market transaction price used, the higher the fair values of the investment properties. The average transaction price of HK\$10,299 per square foot for the year ended 31 December 2012 is adopted.

Trans-Profit's investment properties are the commercial property units located in Hong Kong and are at level 3 of the fair value hierarchy as at 31 December 2012, 2013 and 2014. There were no transfers into or out of level 3 during each of the three years ended 31 December 2014.

14. TRADE RECEIVABLES

Usually, Trans-Profit does not allow any credit period to customers. The balances at each of the reporting period represent the outstanding rental receivable which are all subsequently received. No impairment has been made to the trade receivables as the directors consider that the amounts are neither past due nor impaired.

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors of Trans-Profit believe that there is no further credit provision required.

15. TRADE AND OTHER PAYABLES AND ACCRUALS

The average credit period on trade payables is up to 30 days. Trans-Profit has financial risk management policies in place to ensure that all payables within credit timeframe.

Trans-Profit's trade payables are all aged within 30 days.

The balance as at 31 December 2012 included construction payable of HK\$1,523,000.

16. AMOUNTS DUE TO INTERMEDIATE HOLDING COMPANIES/IMMEDIATE HOLDING COMPANY

The amount due to an immediate holding company was unsecured, interest-free and repayable on demand.

The advances from intermediate holding companies carry fixed interest at 5%, 5% and ranging from 2% to 5% per annum as at 31 December 2012, 2013 and 2014 respectively. The amounts due to intermediate holding companies are unsecured and repayable on demand.

17. SHARE CAPITAL

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
1,000,000 ordinary shares of HK\$1 each:			
Authorised	<u>1,000</u>	<u>1,000</u>	<u>N/A</u>
Issued and fully paid	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

Note: Trans-Profit has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance (i.e. 3 March 2014). There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

18. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised and movements thereon during the Relevant Periods:

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 January 2012	3,357
Charge to profit or loss	<u>336</u>
At 31 December 2012	3,693
Charge to profit or loss	<u>309</u>
At 31 December 2013	4,002
Charge to profit or loss	<u>283</u>
At 31 December 2014	<u><u>4,285</u></u>

19. OPERATING LEASE COMMITMENTS

Rental income from investment properties earned for the year ended 31 December 2012, 2013 and 2014 amounted to HK\$18,203,000, HK\$20,282,000 and HK\$21,552,000, respectively.

The properties under leases have committed tenants for the next one to three years from the end of the reporting period without termination options granted to the tenants.

At the end of the reporting period, Trans-Profit had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	17,480	17,118	17,337
More than one year but not more than five years	12,647	16,453	14,365
	<u>30,127</u>	<u>33,571</u>	<u>31,702</u>

20. RELATED PARTY TRANSACTIONS

Apart from the outstanding balances with intermediate holding companies/immediate holding company as disclosed in the statements of financial position and note 16, Trans-Profit entered into the following transactions with the following related parties during the Relevant Periods:

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Expenses charged by			
Intermediate holding companies:			
Management fee charges	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>
Interest expenses on advances to Trans-Profit	<u>4,669</u>	<u>4,620</u>	<u>2,406</u>
A fellow subsidiary:			
Rental expenses	<u>396</u>	<u>–</u>	<u>–</u>
Rental income earned from intermediate holding companies	<u>–</u>	<u>797</u>	<u>1,212</u>

21. MAJOR NON-CASH TRANSACTION

An interim dividend of HK\$112,434,000 was declared to the shareholders during the year ended 31 December 2014 and was recognised in amounts due to intermediate holding companies.

22. CAPITAL RISK MANAGEMENT

Trans-Profit manages its capital to ensure that Trans-Profit will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Trans-Profit's overall strategy remains unchanged through the Relevant Periods.

The capital structure of Trans-Profit consists of net debts, which include the amounts due to intermediate holding companies and immediate holding company, and equity attributable to owners of Trans-Profit, comprising issued share capital and retained profits as disclosed in the statements of changes in equity.

The management of Trans-Profit reviews the capital structure periodically. As a part of this review, the management of Trans-Profit considers the cost of capital and the risks associated with each class of capital. Based on the recommendations by the management of Trans-Profit, Trans-Profit will balance its overall capital structure through the payment of dividends, as well as the issue of new debt or the redemption of existing debts.

23. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<i>Financial assets</i>			
Loans and receivables (including cash and cash equivalents)	1,245	806	2,059
<i>Financial liabilities</i>			
Amortised cost	98,507	90,069	189,915

(b) Financial risk management objectives and policies

The management of Trans-Profit monitors and manages the financial risks relating to the operations of Trans-Profit through the monitoring procedures. These risks include market risk (including interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Trans-Profit does not enter into derivative financial instruments for hedging or speculative purpose.

There has been no significant change to Trans-Profit's exposure to financial risks or the manner in which it manages and measures the risks.

(i) Interest rate risk management

Trans-Profit is exposed to fair value interest rate risk in relation to amounts due to intermediate holding companies which carried fixed rate.

Trans-Profit currently does not have any interest rate hedging policy. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure.

(ii) Credit risk management

Trans-Profit's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statements of financial position.

Trans-Profit's credit risk is primarily attributable to trade receivables. In order to minimise the credit risk, the management of Trans-Profit has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, Trans-Profit reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Trans-Profit consider that Trans-Profit's credit risk is significantly reduced.

The credit risk on bank balance is limited because the counterparty is a bank with high credit-ratings assigned by international credit-rating agencies.

Trans-Profit has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

(iii) Liquidity risk management

Trans-Profit had net current liabilities of approximately HK\$98,756,000, HK\$92,261,000 and HK\$190,576,000 at 31 December 2012, 2013 and 2014, respectively, which included amounts due to intermediate holding companies of approximately HK\$92,698,000, HK\$89,754,000 and HK\$189,435,000 respectively. The directors of Trans-Profit closely monitor the cash flows of Trans-Profit on a regular basis. An intermediate holding company has agreed to provide adequate funds to enable Trans-Profit to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the directors of Trans-Profit are of the opinion that Trans-Profit's liquidity risk is minimal.

The following tables detail Trans-Profit's remaining contractual maturity for its non-derivative financial liabilities based on agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Trans-Profit can be required to pay. The table includes both interest and principal cash flows. To the extent the interest flows are floating rate, the undiscounted amount is derived from existing interest rate at the end of the reporting period.

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2012							
Non-interest bearing (others)	–	5,809	–	–	–	5,809	5,809
Fixed interest rate instruments	5.00	92,698	–	–	–	92,698	92,698
		98,507	–	–	–	98,507	98,507
Non-interest bearing (rental deposits received)	–	47	–	1,090	4,250	5,387	5,387
		98,554	–	1,090	4,250	103,894	103,894

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2013							
Non-interest bearing (others)	–	315	–	–	–	315	315
Fixed interest rate instruments	5.00	89,754	–	–	–	89,754	89,754
		90,069	–	–	–	90,069	90,069
Non-interest bearing (rental deposits received)	–	47	339	1,997	3,192	5,575	5,575
		90,116	339	1,997	3,192	95,644	95,644

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2014							
Non-interest bearing (others)	–	480	–	–	–	480	480
Fixed interest rate instruments	2.00 – 5.00	189,435	–	–	–	189,435	189,435
		189,915	–	–	–	189,915	189,915
Non-interest bearing (rental deposits received)	–	47	–	1,936	4,089	6,072	6,072
		189,962	–	1,936	4,089	195,987	195,987

(c) Fair values of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of Trans-Profit consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the statements of financial position approximate their fair values.

24. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK\$79,671,000, HK\$19,841,000 and HK\$30,937,000 for the year ended 31 December 2012, 2013 and 2014, respectively, on 1,000,000 shares in issue during the Relevant Periods.

Diluted earnings per share are not presented as there are no potential ordinary shares in existence during the Relevant Periods.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Trans-Profit have been prepared in respect of any period subsequent to 31 December 2014.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
 Hong Kong

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The unaudited pro forma financial information (the “Unaudited Pro Forma Financial Information”) presented below is prepared to illustrate the financial position of the Group as if the proposed group reorganisation of 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 (the “Transaction”) from Magnificent Estates Limited (“MEL”) and its subsidiaries, all being subsidiaries of Shun Ho Technology Holdings Limited (the “Company”), and the Proposed Distributions and Special Cash Dividend distributed by MEL as defined in the Circular, have been completed on 31 December 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 Group as at 31 December 2014 or at any future date had the Transaction been completed on 31 December 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 extracted from the consolidated financial statements of the Group for the year ended 31 December 2014, and the audited statement of financial position of Trans-Profit Limited and the audited consolidated statement of financial position of Houston Venture Limited as at 31 December 2014, extracted from Accountants’ Reports set out in Appendix III and Appendix II respectively to this Circular, after giving effect to pro forma adjustments described in the notes and is prepared in accordance with Rules 4.29 of the Listing Rules.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND
LIABILITIES AT 31 DECEMBER 2014

	The Group <i>HK\$'000</i>	Pro forma adjustments <i>HK\$'000</i> <i>(Note 2)</i> <i>(Note 3)</i>		Pro forma adjusted total for the Group <i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	2,499,297			2,499,297
Prepaid land lease payments for land	33,440			33,440
Investment properties	3,082,700			3,082,700
Properties under development	382,339			382,339
Available-for-sale investments	126,209			126,209
	<u>6,123,985</u>			<u>6,123,985</u>
Current assets				
Inventories	891			891
Prepaid land lease payments for land	901			901
Trade and other receivables	21,481			21,481
Other deposits and prepayments	8,148			8,148
Bank balances and cash	1,165,634	(77,594)	(3,565)	1,084,475
	<u>1,197,055</u>			<u>1,115,896</u>
Current liabilities				
Trade and other payables and accruals	42,248			42,248
Rental and other deposits received	11,261			11,261
Advance from an intermediate holding company	13,744			13,744
Advance from ultimate holding company	423			423
Tax liabilities	16,487			16,487
Bank loans	621,733			621,733
	<u>705,896</u>			<u>705,896</u>
Net current assets	<u>491,159</u>			<u>410,000</u>
Total assets less current liabilities	<u><u>6,615,144</u></u>			<u><u>6,533,985</u></u>
Non-current liabilities				
Rental deposits received	33,724			33,724
Deferred tax liabilities	152,766			152,766
	<u>186,490</u>			<u>186,490</u>
Net assets	<u><u>6,428,654</u></u>			<u><u>6,347,495</u></u>

**NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION
AT 31 DECEMBER 2014**

1. According to the sale and purchase agreement entered into between MEL and the Company, the Company agrees to acquire the properties interest of commercial buildings 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 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 shares of the Company credited as fully paid.

As at 31 December 2014, the Company has control over Houston Venture Limited and its subsidiary, Tennyland Limited, and Trans-Profit Limited (hereinafter collectively referred to as the "Disposal Subsidiaries") through MEL, a non-wholly owned subsidiary of the Company, in which the Company owns approximately 71.09% equity interest. Following the completion of the Transaction, the Disposal Subsidiaries will remain as subsidiaries of the Company. The Company will continue to consolidate the assets and liabilities of the Disposal Subsidiaries after the Transaction.

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 MEL and its subsidiaries;
- (ii) transfer of the equity interests in Houston Venture and Trans-Profit Limited by MEL to the Company 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 the Company and its subsidiaries, being the shareholders of MEL;
- (v) automatic issue of shares of the Company 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 was in substance an acquisition of non-controlling interests in MEL by the Company together with the distribution of the Special Cash Dividend by MEL to all of its shareholders. Accordingly, the Transaction is accounted as equity transaction between the owners of the Company and the non-controlling interests and is therefore recognised in equity.

2. The adjustment represents the Special Cash Dividend paid to the non-controlling interests of MEL, representing approximately 28.91% of the Special Cash Dividend distributed by MEL.
3. The adjustment represents estimated legal and professional fee directly attributable to the Transaction amounting to approximately HK\$3,565,000.

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

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

Deloitte.
德勤

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Shun Ho Technology Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shun Ho Technology Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2014 and related notes as set out on pages 90 to 92 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 proposed 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, a subsidiary of the Company, and the Proposed Distributions and Special Cash Dividend as defined in the Circular on the Group's financial position as at 31 December 2014 as if the transaction had taken place at 31 December 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated 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 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

A. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below are the management discussion and analysis of the Group as extracted from the annual reports of the Company for each of the three financial years ended 31 December 2014 (the “**Management Discussion and Analysis**”). Terms used below shall have the same meanings as those defined in the Management Discussion and Analysis.

(a) For the year ended 31 December 2014

Management discussion and analysis

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

The audited consolidated profit of the Group for the year ended 31 December 2014 attributable to the owners of the Company amounted to HK\$644,500,000 (2013: HK\$439,319,000), increased by 47%.

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

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

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

Other income amounted to HK\$29 million (2013: HK\$20 million) which was property management fee income of HK\$16 million (2013: HK\$16 million) with related expenses of HK\$15 million (2013: HK\$15 million) and interest income of HK\$13 million (2013: HK\$2 million) from cash deposits.

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

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

During the year, the administrative expenses excluding depreciation was HK\$32 million (2013: HK\$29 million) for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

Other expenses were property management expenses amounted to HK\$15 million (2013: HK\$15 million).

- At 31st December, 2014, the overall debt of the Group was HK\$636 million (2013: HK\$695 million). Most of the debts were borrowed by Magnificent Estates Group. The gearing ratio of the Group (including Magnificent Estates Group) was 10% (2013: 13%) in terms of bank borrowings of HK\$622 million (2013: HK\$676 million) and HK\$14 million (2013: HK\$19 million) was advance from shareholders against funds employed of HK\$6,429 million (2013: HK\$5,535 million).

The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal. As at 31 December 2014, the Group's staffing level is about 15% less than that of 31 December 2013 due to the disposal of Best Western Hotel Taipa, Macau. Remuneration and benefit were set with reference to the market.

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

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

- **Nos. 338 Queen's Road West
Hotel Development**

The 214 rooms hotel development is named Best Western Grand City Hotel. The new hotel is waiting for hotel license to be issued. The connection of the Western MTR Line will improve future value and business of this property significantly.

LOOKING AHEAD, the Group has a magnificent portfolio of well performing recurring income portfolio of commercial and hotel properties.

The management is most excited with the connection of the MTR Western line in the end of first quarter of 2015 which will significantly benefit three of our group hotels in the Western District with about 1,000 rooms in terms of occupancies, room rates and hotel values.

However, both commercial and hotel segments are showing strong signs of difficulties with more supplies and lesser demand. The disposed Macau hotel has the effect of reducing operating profit by HK\$37 million per year. Stable operating profit and growth are therefore at risk from adverse market conditions and Macau hotel disposal. The new Grand City Hotel may contribute about the same operating profit per year to replenish the profit reduced by the disposed Macau hotel. The management is most eager to further increase operating profit by the acquisition of commercial properties, if successfully acquired will be financed by internal cash resources, bank lending or additional capital.

(b) For the year ended 31 December 2013

Management discussion and analysis

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

The audited consolidated profit of the Group for the year ended 31 December 2013 attributable to owners of the Company amounted to HK\$439,319,000 (2012: HK\$377,983,000), increased by 16%.

- For the year ended 31 December 2013, the Group's income increased by 32% to HK\$689 million which was mostly derived from the operation of hotels and properties rental income.

The income from operation of hotels, Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Causeway Bay, Best Western Hotel Harbour View, Best Western Grand Hotel, Magnificent International Hotel, Shanghai and Best Western Hotel Taipa, Macau (the disposal of which will be completed on 20 March 2014) increased by 39% to HK\$583 million (2012: HK\$420 million) due to the full year operation of Best Western Hotel Harbour View and Best Western Grand Hotel.

The properties rental income was derived from office buildings of Shun Ho Tower, 633 King's Road and shops from Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Taipa, Macau and Best Western Grand Hotel amounted to HK\$106 million (2012: HK\$100 million).

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

Other income amounted to HK\$20 million (2012: HK\$17 million) which was mostly property management fee income of HK\$16 million (2012: HK\$16 million) with related expenses of HK\$15 million (2012: HK\$14.5 million).

- Overall service costs for the Group for the year was HK\$232.0 million (2012: HK\$157.8 million), of which HK\$231.4 million (2012: HK\$157.5 million) was for the hotel operations including food and beverage and costs of sales and HK\$0.6 million (2012: HK\$0.3 million) was mainly for rates and leasing commission paid for investment properties. The leasing commissions paid for the leased premises represent total commissions payable for three years of the rental period. The increase of hotel operation costs was mainly due to the full year operation of Best Western Hotel Harbour View and Best Western Grand Hotel.

During the year, the administrative expenses excluding depreciation was HK\$29 million (2012: HK\$23 million) for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

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

- At 31 December 2013, the overall debt of the Group was HK\$695 million (2012: HK\$1,135 million). Most of the debts were borrowed by Magnificent Estates Group. The gearing ratio of the Group (including Magnificent Estates Group) was approximately 13% (2012: 23%) in terms of bank borrowings of HK\$676 million (2012: HK\$1,074 million) and HK\$19 million (2012: HK\$61 million) was advance from shareholders against funds employed of HK\$5,535 million (2012: HK\$4,885 million).

The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal. During the year under review, there was no significant change in the Group's staffing level compared to 31 December 2012. Remuneration and benefit were set with reference to the market.

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

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

- The management will try the best endeavour to complete the construction of the new hotel to increase future earnings base and value for the Group.

No. 338 Queen's Road West Hotel Development

A 214 room service apartments hotel development was approved to be built. Approval has been obtained to increase the plot ratio from 12 to 13.2 with no premium payment required. Superstructure construction has commenced with completion expected in 2014. The connection of the Western MTR Line will improve future value and business of this property significantly.

LOOKING AHEAD, the management expects 2014 will be an outstanding improved year for the Group's hotel operation. The hotels occupancy remain high because of the increasing leisure traveling from the PRC and their further visa relaxation and devaluation of Hong Kong dollar against Renminbi. The improving hotel business will help to increase the Group's overall turnover.

The management is most excited with the connection of the MTR Western line in 2014 which will significantly benefit our three hotels with about 1,000 rooms in terms of occupancies, room rates and hotel values.

The HK\$900 million sales proceed from the disposal of the Macau subsidiary will be advantageous to future acquisition of hotel or commercial property assets to further increase the Group's income and value.

The rental incomes of the commercial buildings and shops are expected to enjoy modest increase. The low interest rate environment, weakness Hong Kong dollar and inflation back the demand in the local property market that benefits the Group's property portfolio especially the office buildings in Central and North Point.

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

(c) For the year ended 31 December 2012

Management discussion and analysis

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

The audited consolidated profit of the Group for the year ended 31 December 2012 attributable to the owners of the Company amounted to HK\$377,983,000 (2011: HK\$331,563,000), increased by 14%.

- For the year ended 31st December, 2012, the Group's income increased by 29% to HK\$537 million which was mostly derived from the operation of hotels and properties rental income.

The income from operation of hotels, Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Causeway Bay, Best Western Hotel Harbour View, Best Western Grand Hotel, Best Western Hotel Taipa, Macau and Magnificent International Hotel, Shanghai increased by 37% to HK\$420 million (2011: HK\$307 million) due to significant room rate improvement.

The properties rental income was derived from office buildings of Shun Ho Tower, 633 King's Road and shops from Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau increased by 6% to HK\$100 million (2011: HK\$95 million).

Other income amounted to HK\$17 million (2011: HK\$16 million) which was mostly property management fee income of HK\$16 million (2011: HK\$15 million) with related expenses of HK\$14 million (2011: HK\$14 million).

- Overall service costs for the Group for the year was HK\$157.8 million (2011: HK\$119.8 million), of which HK\$157.5 million (2011: HK\$118.9 million) was for the hotel operations including food and beverage and costs of sales and HK\$0.3 million (2011: HK\$0.9 million) was mainly for leasing commission paid for investment properties. The increase of hotel operation costs was mainly due to the newly opened Best Western Hotel Harbour View and Best Western Grand Hotel amounted to HK\$18.8 million and HK\$1.6 million respectively.

During the year, the administrative expenses excluding depreciation was HK\$23 million (2011: HK\$19 million) for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

Other expenses were HK\$21.8 million (2011: HK\$17.9 million). Other expenses included property management expenses of HK\$14.5 million (2011: HK\$13.8 million) and the total pre-operating expenses of Best Western Hotel Harbour View and Best Western Grand Hotel of HK\$7.4 million (2011: the pre-operating expense of Best Western Hotel Causeway Bay amounted to HK\$4.1 million). The property management expenses were increased by HK\$0.7 million due to the increase of cost of staff and utilities while the management fee remained unchanged.

- At 31st December, 2012, the overall debt was HK\$1,135 million (2011: HK\$1,172 million). All the debt was borrowed by Magnificent Estates Group. The gearing ratio of the Group (including Magnificent Estates Group) was approximately 23% (2011: 27%) in terms of bank borrowings of HK\$1,074 million (2011: HK\$1,111 million) and HK\$61 million (2011: HK\$61 million) was advance from shareholders against funds employed of HK\$4,885 million (2011: HK\$4,339 million).

The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal. During the year under review, there was about 49% increase in the Group's staffing level compared to 31st December 2011. Remuneration and benefit were set with reference to the market.

- For the year under review, the investment properties such as Shun Ho Tower, 633 King's Road and shops in Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Taipa, Macau and new shops in Best Western Grand Hotel were almost fully let. It is expected that the rental revenue from these properties will have modest increase in 2013.

As at the date of this report, the leasing of the grade A office building at 633 King's Road achieved rental income of HK\$71 million (excluding rates and management fee incomes) per annum. The management envisages the office building will have modest rental increase in 2013 as most leases are due for renewal.

For the year under review, there was no significant property being disposed of. An agreement was entered in January 2013 to dispose the company which hold the houses at Gold Coast, New Territories for the consideration of HK\$63 million and an estimate profit of HK\$42 million attributable to the year of 2013.

- The management will try the best endeavour to complete the construction of the new hotel to increase future earnings base and value for the Group.

**No. 338 Queen's Road West
Hotel Development**

A 214 room service apartments hotel development was approved to be built. Approval has been obtained to increase the plot ratio from 12 to 13.2 with no premium payment required. Superstructure construction contract already awarded with completion expected in 2014. The construction of the Western MTR Line will improve future value and business of this property significantly.

LOOKING AHEAD, the management expects 2013 will be an improved year for hotel operation. The hotels occupancy remain high because of the increasing leisure traveling from the PRC and their further visa relaxation and devaluation of Hong Kong dollar against Renminbi. The improving hotel business will help to increase the Group's overall turnover.

The rental incomes of the commercial buildings and shops are expected to enjoy modest increase. The low interest rate environment, weakness Hong Kong dollar and inflation back the demand in the local property market that benefits the Group's property portfolio especially the office buildings in Central and North Point.

The management is most pleased with the commencement of operation of the 432 rooms Best Western Hotel Harbour View and 396 rooms Best Western Grand Hotel and their immediate remarkable nearly full occupancies since July and December respectively and their additional contribution assisted increase Group hotels revenue by 37% in 2012.

The 432 rooms Best Western Hotel Harbour View and 396 rooms Best Western Grand Hotel assisted to increase the Group's hotels revenue by 63% from January to March 2013. The significant 432 rooms Best Western Hotel Harbour View and 396 rooms Best Western Grand Hotel will surely make significant improvement to the Group's hotel revenue in the years to come.

The management will take best advantage of the improving rental incomes of the commercial buildings and shops, strong growth of the hotels revenue, low interest rate environment, competitive Hong Kong dollar and inflation to enhance the Group's incomes and values. The Company is also considering other local property investments, if successfully acquired will be financed by additional capital and bank lending.

B. MANAGEMENT DISCUSSION AND ANALYSIS OF HOUSTON VENTURE

Set out below is the management discussion and analysis of Houston Venture and its subsidiaries (“**Houston Venture Group**”) for each of the three financial years ended 31 December 2014:

(a) For the year ended 31 December 2014

Review of operations

During the year ended 31 December 2014, Houston Venture achieved a revenue of approximately HK\$92,404,000, a net rental income of approximately HK\$91,589,000. Houston Venture’s revenue representing rental income registered an increment of approximately 20% as compared to 2013. The average occupancy rate of the 633 King’s Road Property, the principal asset of Houston Venture Group was approximately 96.06% and the average rent was approximately HK\$27.0 per sq.ft. in 2014 as compared to approximately 100% and HK\$21.8 in 2013, respectively. During the year Houston Venture recorded an increase in fair value of investment properties of HK\$10,000,000.

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 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. Houston Venture Group recorded a gain on disposal of approximately HK\$620,478,000.

Liquidity and financial resources and gearing ratio

Total borrowings of Houston Venture Group as at 31 December 2014 were approximately HK\$223,585,000 which consisted of a bank loan of approximately HK\$191,005,000 and a loan of approximately HK\$32,580,000 granted by Houston Venture’s immediate holding company. The gearing ratio at 31 December 2014 was approximately 9.4% in terms of bank loan over shareholders’ equity. The loan from the immediate holding company is in interest free, unsecured and repayable on demand. The bank loan, which is denominated in Hong Kong dollars and secured by the pledge of the investment properties of Houston Venture Group, carries interest at Hong Kong Interbank Offered Rate plus a margin per annum for the year ended 31 December 2014 per annum. Effective interest rate was 1.04% per annum as at 31 December 2014. The bank loan is repayable as follows:

	<i>HK\$’000</i>
Secured bank loan	191,005
	<u>191,005</u>

HK\$'000

Carrying amounts of bank loan that contain a repayment on demand clause:	
Repayable within one year from the end of the reporting period based on scheduled repayment dates	32,760
Not repayable within one year from the end of the reporting period based on scheduled repayment dates	158,245
	<hr/>
Amount shown under current liabilities	191,005
	<hr/> <hr/>

Capital structure

The capital structure of Houston Venture Group consists of net debts, which include the amounts due to immediate holding company and bank loan, and equity attributable to owners of Houston Venture, comprising issued share and retained profits as disclosed in the consolidated statements of changes in equity.

Charge of assets

At 31 December 2014, the bank loan facilities of Houston Venture Group were secured by the following:

- (a) assignment of the rental income of Tennyland;
- (b) a corporate guarantee from an intermediate holding company for the full amount of the facility;
- (c) a share mortgage over all the issued shares of Houston Venture Group;
- (d) a subordination agreement incorporating an assignment of loans from shareholders and/or other parties; and
- (e) investment properties of Tennyland with carrying amount of HK\$2,170,000,000 as at 31 December 2014.

Contingent liabilities

Houston Venture Group had no material contingent liabilities as at 31 December 2014.

Employees

Houston Venture Group did not have any employees as at 31 December 2014.

Foreign currency exposure

Fluctuations in exchange rate did not impose significant to Houston Venture Group as the majority of the transactions and most assets and liabilities were denominated in Hong Kong dollars.

(b) For the year ended 31 December 2013

Review of operations

During the year ended 31 December 2013, Houston Venture Group achieved a revenue of approximately HK\$76,918,000, a net rental income of approximately HK\$76,494,000. Houston Venture Group's revenue representing rental income registered an increment of approximately 4% as compared to 2013. The average occupancy rate of the 633 King's Road Property, the principal asset of Houston Venture Group was approximately 100% and the average rent was approximately HK\$21.8 per sq.ft. in 2013 as compared to approximately 100% and HK\$20.8 in 2012, respectively. During the year Houston Venture Group recorded an increase in fair value of investment properties of approximately HK\$263,232,000.

Material acquisitions and disposals

Houston Venture Group did not have any material acquisitions and disposals during the year.

Liquidity and financial resources and gearing ratio

Total borrowings of Houston Venture Group as at 31 December 2013 were approximately HK\$238,477,000 which consisted of a bank loan of approximately HK\$223,765,000 and a loan of approximately HK\$14,712,000 granted by Houston Venture's immediate holding company. The gearing ratio at 31 December 2013 was approximately 10.2% in terms of bank loan over shareholders' equity. The loan from the immediate holding company is in interest free, unsecured and repayable on demand. The bank loan, which is denominated in Hong Kong dollars and secured by the pledge of the investment properties of Houston Venture Group, carries interest at Hong Kong Interbank Offered Rate plus a margin per annum for the three year ended 31 December 2013 per annum. Effective interest rate was 1.01% per annum as at 31 December 2013. The bank loan is repayable as follows:

	<i>HK\$'000</i>
Secured bank loan	<u>223,765</u>

HK\$'000

Carrying amounts of bank loan that contain a repayment on demand clause:	
Repayable within one year from the end of the reporting period based on scheduled repayment dates	32,760
Not repayable within one year from the end of the reporting period based on scheduled repayment dates	191,005
	<hr/>
Amount shown under current liabilities	<u>223,765</u>

Capital structure

The capital structure of Houston Venture Group consists of net debts, which include the amounts due to immediate holding company and bank loan, and equity attributable to owners of Houston Venture, comprising issued share and retained profits as disclosed in the consolidated statements of changes in equity.

Charge of assets

At 31 December 2013, the bank loan facilities of Houston Venture Group were secured by the following:

- (a) assignment of the rental income of Tennyland;
- (b) a corporate guarantee from an intermediate holding company for the full amount of the facility;
- (c) a share mortgage over all the issued shares of Houston Venture Group;
- (d) a subordination agreement incorporating an assignment of loans from shareholders and/or other parties; and
- (e) investment properties of Tennyland with carrying amount of HK\$2,160,000,000 as at 31 December 2013.

Contingent liabilities

Houston Venture Group had no material contingent liabilities as at 31 December 2013.

Employees

Houston Venture Group did not have any employees as at 31 December 2013.

Foreign currency exposure

Fluctuations in exchange rate did not impose significant to the Houston Venture Group as the majority of the transactions and most assets and liabilities were denominated in Hong Kong dollars.

(c) For the year ended 31 December 2012

Review of operations

During the year ended 31 December 2012, Houston Venture Group achieved a revenue of approximately HK\$73,794,000, a net rental income of approximately HK\$73,703,000. Houston Venture Group's revenue representing rental income registered an increment of approximately 2.5% as compared to 2011. The average occupancy rate of the 633 King's Road Property, the principal asset of Houston Venture Group was approximately 100% and the average rent was approximately HK\$20.8 per sq.ft. in 2012 as compared to approximately 100% and HK\$20.3 in 2011, respectively. During the year Houston Venture recorded an increase in fair value of investment properties of approximately HK\$118,300,000.

Material acquisitions and disposals

Houston Venture Group did not have any material acquisitions and disposals during the year.

Liquidity and financial resources and gearing ratio

Total borrowings of Houston Venture Group as at 31 December 2012 were approximately HK\$391,892,000 which consisted of a bank loan of approximately HK\$241,725,000 and a loan of approximately HK\$150,167,000 granted by Houston Venture's immediate holding company. The gearing ratio at 31 December 2012 was approximately 13.2% in terms of bank loan over shareholders' equity. Except for the advance from immediate holding company which amounted to HK\$47,027,000 as at 31 December 2012 and was unsecured, bore interest at 5% per annum and repayable on demand, the remaining balance of the loan from the immediate holding company was interest free, unsecured and repayable on demand. The bank loan, which is denominated in Hong Kong dollars and secured by the pledge of the investment properties of Houston Venture Group, carries interest at Hong Kong Interbank Offered Rate plus a margin per annum for the year ended 31 December 2012 per annum. Effective interest rate was 1.06%, per annum as at 31 December 2012.

	<i>HK\$'000</i>
Secured bank loan	<u>241,725</u>

HK\$'000

Carrying amounts of bank loan that contain a repayment on demand clause:	
Repayable within one year from the end of the reporting period based on scheduled repayment dates	17,960
Not repayable within one year from the end of the reporting period based on scheduled repayment dates	223,765
	<hr/>
Amount shown under current liabilities	<u>241,725</u>

Capital structure

The capital structure of Houston Venture Group consists of net debts, which include the amounts due to immediate holding company and bank loan, and equity attributable to owners of Houston Venture, comprising issued share and retained profits as disclosed in the consolidated statements of changes in equity.

Charge of assets

At 31 December 2012, the bank loan facilities of Houston Venture Group were secured by the following:

- (a) assignment of the rental income of Tennyland;
- (b) a corporate guarantee from an intermediate holding company for the full amount of the facility;
- (c) a share mortgage over all the issued shares of Houston Venture Group;
- (d) a subordination agreement incorporating an assignment of loans from shareholders and/or other parties; and
- (e) investment properties of Tennyland with carrying amount of HK\$1,900,000,000 as at 31 December 2012.

Contingent liabilities

Houston Venture Group had no material contingent liabilities as at 31 December 2012.

Employees

Houston Venture Group did not have any employees as at 31 December 2012.

Foreign currency exposure

Fluctuations in exchange rate did not impose significant to the Houston Venture Group as the majority of the transactions and most assets and liabilities were denominated in Hong Kong dollars.

C. MANAGEMENT DISCUSSION AND ANALYSIS OF TRANS-PROFIT

Set out below is the management discussion and analysis of Trans-Profit for each of the three financial years ended 31 December 2014:

(a) For the year ended 31 December 2014

Review of operations

During the year ended 31 December 2014, Trans-Profit achieved a revenue of approximately HK\$21,552,000, a net rental income of approximately HK\$21,317,000. Trans-Profit's revenue representing rental income registered an increment of approximately 6% as compared to 2013. The average occupancy rate of Shun Ho Tower, the principal asset of Trans-Profit was approximately 98.78% and the average rent was approximately HK\$31.6 per sq.ft. in 2014 as compared to approximately 100% and HK\$29.9 in 2013, respectively. During the year Trans-Profit recorded an increase in fair value of investment properties of HK\$17,900,000.

Material acquisitions and disposals

Trans-Profit did not have any material acquisitions and disposals during the year.

Liquidity and financial resources

Total borrowings of Trans-Profit as at 31 December 2014 were approximately HK\$189,435,000 which represented a loan granted by Trans-Profit's intermediate holding companies. Trans-Profit had no bank borrowings as 31 December 2014. Except for the advance amounting to HK\$132,334,000 as at 31 December 2014 which carried fixed interest at 2% per annum, the remaining advances from intermediate holding companies carried fixed interest at 5% per annum as at 2014. The amounts due to intermediate holding companies were unsecured and repayable on demand.

Capital structure

The capital structure of Trans-Profit consists of net debts, which include the amounts due to intermediate holding companies and equity attributable to owners of Trans-Profit, comprising issued shares and retained profits as disclosed in the statements of changes in equity.

Charge of assets

As at 31 December 2014 there were no outstanding charges on the assets of Trans-Profit in favour of any parties.

Contingent liabilities

The Trans-Profit had no material contingent liabilities as at 31 December 2014.

Employees

The Trans-Profit did not have any employees as at 31 December 2014.

Foreign currency exposure

Fluctuations in exchange rate did not impose significant to the Trans-Profit as the majority of the transactions and most assets and liabilities were denominated in Hong Kong dollars.

(b) For the year ended 31 December 2013

Review of operations

During the year ended 31 December 2013, Trans-Profit achieved a revenue of approximately HK\$20,282,000, a net rental income of approximately HK\$20,116,000. Trans-Profit's revenue representing rental income registered an increment of approximately 11% as compared to 2012. The average occupancy rate of Shun Ho Tower, the principal asset of Trans-Profit was approximately 100% and the average rent was approximately HK\$29.9 per sq.ft. in 2013 as compared to approximately 100% and HK\$27.9 in 2012, respectively. During the year Trans-Profit recorded an increase in fair value of investment properties of HK\$9,950,000.

Material acquisitions and disposals

Trans-Profit did not have any material acquisitions and disposals during the year.

Liquidity and financial resources

Total borrowings of Trans-Profit as at 31 December 2013 were approximately HK\$89,754,000 which represented a loan granted by Trans-Profit's intermediate holding companies. Trans-Profit had no bank borrowings as 31 December 2013. The loan from the intermediate holding companies which carried interest at the rate of 5% per annum at 31 December 2013 was unsecured and repayable on demand.

Capital structure

The capital structure of Trans-Profit consists of net debts, which include the amounts due to intermediate holding companies and equity attributable to owners of Trans-Profit, comprising issued shares and retained profits as disclosed in the statements of changes in equity.

Charge of assets

As at 31 December 2013 there were no outstanding charges on the assets of Trans-Profit in favour of any parties.

Contingent liabilities

The Trans-Profit had no material contingent liabilities as at 31 December 2013.

Employees

The Trans-Profit did not have any employees as at 31 December 2013.

Foreign currency exposure

Fluctuations in exchange rate did not impose significant to the Trans-Profit as the majority of the transactions and most assets and liabilities were denominated in Hong Kong dollars.

(c) For the year ended 31 December 2012

Review of operations

During the year ended 31 December 2012, Trans-Profit achieved a revenue of approximately HK\$18,203,000, a net rental income of approximately HK\$18,074,000. Trans-Profit's revenue representing rental income registered an increment of approximately 12% as compared to 2011. The average occupancy rate of Shun Ho Tower, the principal asset of Trans-Profit was approximately 100% and the average rent was approximately HK\$27.9 per sq.ft. in 2012 as compared to approximately 95% and HK\$26.4 in 2011, respectively. During the year Trans-Profit recorded an increase in fair value of investment properties of HK\$71,886,000.

Material acquisitions and disposals

Trans-Profit did not have any material acquisitions and disposals during the year.

Liquidity and financial resources

Total borrowings of Trans-Profit as at 31 December 2012 were approximately HK\$96,833,000 which represented a loan granted by Trans-Profit's intermediate holding company. Trans-Profit had no bank borrowings as 31 December 2012. The loan from the intermediate holding company which carried interest at the rate of 5% per annum at 31 December 2012 was unsecured and repayable on demand.

Capital structure

The capital structure of Trans-Profit consists of net debts, which include the amounts due to intermediate holding companies and immediate holding company, and equity attributable to owners of Trans-Profit, comprising issued shares and retained profits as disclosed in the statements of changes in equity.

Charge of assets

As at 31 December 2012 there were no outstanding charges on the assets of Trans-Profit in favour of any parties.

Contingent liabilities

The Trans-Profit had no material contingent liabilities as at 31 December 2012.

Employees

The Trans-Profit did not have any employees as at 31 December 2012.

Foreign currency exposure

Fluctuations in exchange rate did not impose significant to the Trans-Profit as the majority of the transactions and most assets and liabilities were denominated in Hong Kong dollars.

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, 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

Property interest	Market value in existing state as at 31 March 2015 HK\$
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/>
	Total: <u><u>2,757,000,000</u></u>

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2015
1. Shun Ho Tower, Nos. 24-30 Ice House Street, Central, Hong Kong	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.	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.	HK\$587,000,000
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	The total gross floor area of the property is approximately 54,312 sq.ft. (5,045.71 sq.m.).	The locality of the property is served by public transport and characterized as a central office location.	
	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 & Inland Lot No. 617 s.L ss.1 is HK\$32 per annum.		

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 Company. 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	359,543,999 (Note)	66.94

Note:

Omnico Company Inc., Mercury Fast Limited and Trillion Resources HK beneficially owned 281,904,489 Shares, 68,139,510 Shares and 9,500,000 Shares respectively, representing 52.49%, 12.69% and 1.76% respectively of the Shares of the Company. Mr. William Cheng Kai Man had controlling interests in both 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	MEL (Note 1)	Interest of controlled corporations	Corporate	6,360,585,437	71.09
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. MEL, the Company's subsidiary, is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange.
2. SHR, the Company's holding company, is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange.
3. Trillion Resources BVI, the Company's ultimate holding company, is a company incorporated in the British Virgin Islands.

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

Substantial Shareholders

So far as is known 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 any class of shares carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Capacity	Number of Shares/underlying shares held	Approximate % of shareholding
Mercury Fast Limited ("Mercury")	Beneficial owner	68,139,510	12.69
MEL (<i>Note 1</i>)	Interest of controlled corporations	68,139,510	12.69
Omnico Company Inc. ("Omnico") (<i>Note 2</i>)	Beneficial owner and interest of controlled corporations	350,043,999	65.18
SHR (<i>Note 3</i>)	Interest of controlled corporations	359,543,999	66.94
Trillion Resources BVI (<i>Note 3</i>)	Interest of controlled corporations	359,543,999	66.94
Liza Lee Pui Ling (<i>Note 4</i>)	Interest of spouse	359,543,999	66.94

Notes:

- Mercury was a wholly-owned subsidiary of MEL.
- Omnico beneficially owned 281,904,489 Shares and was taken to be interested in 68,139,510 Shares held by Mercury which was owned as to 100% by MEL, which was in turn owned as to 71.09% by the Group, the Company was in turn directly and indirectly owned 350,043,999 Shares as to 65.18% by Omnico.
- Omnico was wholly-owned 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, SHR and Trillion Resources BVI were taken to be interested in 359,543,999 Shares representing 66.94% by virtue of their direct or indirect interests in Omnico and Trillion Resources HK, a subsidiary of SHR, which beneficially owned 9,500,000 Shares, representing 1.76%.
- Madam Liza Lee Pui Ling was deemed to be interested in 359,543,999 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.

Save as disclosed above and so far as is known to the Directors, as at the Latest Practicable Date, no other person (other than the Directors and chief executives) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of 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

Each of DTZ Debenham Tie Leung Limited and Deloitte Touche Tohmatsu has given and have not withdrawn their respective written consents to the inclusion of their respective report in this circular with references to their name in form and context in which they respectively appear.

10. QUALIFICATION OF EXPERTS

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

Name	Qualifications
DTZ Debenham Tie Leung Limited	Professional surveyors and valuer
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the Latest Practicable Date, none of DTZ Debenham Tie Leung Limited and Deloitte Touche Tohmatsu 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 and Deloitte Touche Tohmatsu 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) The Company has no authorised share capital and its shares have no par value from the commencement date of the new Companies Ordinance (Cap. 622 Laws of Hong Kong) on 3 March 2014. As at the Latest Practicable Date, the share capital of the Company comprised 537,076,602 issued and fully paid shares with a monetary value of HK\$387,308,000 of which HK\$118,700,000 was transferred from share premium upon abolition of par value.
- (e) 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 accountants' report on Trans-profit; reported by Deloitte Touche Tohmatsu for each of the three financial years ended 31 December 2014;
- (e) the accountants' report on Houston Venture; reported by Deloitte Touche Tohmatsu for each of the three financial years ended 31 December 2014;
- (f) the consent letters of DTZ Debenham Tie Leung Limited and Deloitte Touche Tohmatsu referred to in the section headed "Consents" in this appendix;
- (g) the unaudited pro forma financial information of the Group and the report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix IV to this circular;

- (h) the letter and valuation certificate prepared by DTZ Debenham Tie Leung Limited in respect of the 633 King's Road Property, the text of which is set out in Appendix VI to this circular;
- (i) the letter and valuation certificate prepared by DTZ Debenham Tie Leung Limited in respect of Shun Ho Tower, the text of which is set out in Appendix VI to this circular; and
- (j) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



SHUN HO TECHNOLOGY HOLDINGS LIMITED (順豪科技控股有限公司)

(Incorporated in Hong Kong with limited liability)
(Stock code: 219)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Extraordinary General Meeting of Shun Ho Technology Holdings 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 10:00 a.m. to consider, if thought fit, pass the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

1. the Sale and Purchase Agreement dated 25 March 2015 entered into between the Company and Magnificent Estates Limited (“**MEL**”) (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**”) in relation to, inter alia, the conditional sale and purchase of 68% interest in Trans-Profit Limited and 100% interest in Houston Venture Limited (the “**Acquisition**”), with the consideration to be satisfied by issue of the share entitlement note (“**SEN**”) by Duplexway Limited to MEL which confers the right to call for the issue of 147,626,347 fully paid shares of the Company and all the transactions contemplated thereunder and all other matters of and incidental thereto or in connection therewith be and are hereby approved, confirmed and ratified;
2. 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;

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. the issue of the SEN to MEL as consideration for the Transaction and the issue and allotment of 147,626,347 fully paid shares of Company pursuant to exercise of the SEN in accordance to the terms and conditions of the SEN be and are hereby approved; and

4. any one director of the Company be and is hereby authorised for and on behalf of the Company, amongst other matters, to sign, seal, execute, perfect, deliver, do or to authorize signing, executing, perfecting and delivering and doing all such documents, deeds, acts, matters and things as the Director may in his/her discretion consider necessary, expedient or desirable to issue the SEN, to issue and allot 147,626,347 fully paid shares of the Company pursuant to exercise of the SEN in accordance with the terms set out therein and to give effect to and implement the terms of the Acquisition Agreement and the SEN and to make and agree such variations, amendments, waiver relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Acquisition Agreement and the SEN) as the Director may in his/her discretion consider to be desirable and in the interest of the Company and its shareholders as a whole.”

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

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.