
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Shun Ho Holdings Limited (the "Company"), you should at once hand this circular together with the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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SHUN HO HOLDINGS LIMITED

順豪控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 253)

VERY SUBSTANTIAL ACQUISITION ACQUISITION OF TARGET COMPANY AND NOTICE OF EGM

Capitalised terms used in this cover page shall have the same meanings as those defined in the circular. A notice convening the EGM of the Company to be held at 10:30 a.m. (Hong Kong time) on Thursday, 29 September 2022 at Conference Room, Basement, Best Western Plus Hotel Kowloon, 73-75 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong is set out on pages 90 to 91 of 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 <http://www.shunho.com.hk/shh/chinese/index.html>.

Whether or not you are able to attend the EGM, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page 1 of this circular for measures being taken to try to prevent and control the spread of COVID-19 at the EGM, including:

- **Compulsory body temperature checks**
- **Compulsory wearing of a surgical face mask for each attendee**
- **No distribution of corporate gifts or refreshment**
- **Other measures may be required by the governmental authorities**

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting as an alternative to attending the meeting in person.

8 September 2022

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 epidemic and recent requirements for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry to the EGM venue or be required to leave the EGM venue.
- (ii) Attendees are required to wear surgical face masks inside the EGM venue at all times, and to maintain a safe distance between seats. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks.
- (iii) No distribution of corporate gifts or refreshments will be served at the EGM.
- (iv) Other measures may be required by the governmental authorities.

To the extent permitted under law, the Company reserves the right to deny entry to the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

If Shareholders have any questions relating to the EGM, please contact Tricor Tengis Limited, the Company's Share Registrar, as follows:

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong
Email: info@hk.tricorglobal.com
Tel: (852) 2980 1333
Fax: (852) 2810 8185

DEFINITIONS

For the purposes of this Circular, the following definitions apply throughout where the context admits unless otherwise stated:

- “Acquisition” the sale of the Sale Shares to the Purchaser and the assignment to the Purchaser of the Sale Loan as contemplated under the Sale and Purchase Agreement
- “Administrators” the personal representative(s) of the estate of Mr. Tang Shing Bor, deceased appointed under the Grant
- “Apportionment Account” the apportionment account for the Property showing:
- (a) all outstanding and unpaid outgoings and expenses of the Property (including but not limited to government rent, rates, insurance premium, water, electricity, gas, telephone charges, if any) attributable to the period up to and inclusive of the Completion Date and all rents, licence fees or other payments received by the Target Company on or before the Completion Date attributable to the period after the Completion Date of the Property, all of which are for the credit of the Purchaser; and
 - (b) all outgoings and expenses of the Property (including but not limited to government rent, rates, insurance premium, water, electricity, gas, telephone charges, Hotel Licence, F&B Licence and the Swimming Pool Licence, if any) which have been paid by the Target Company on or before the Completion Date but attributable to the period from but exclusive of the Completion Date (collectively, the “Prepayments”) and all rents, licence fees or other payments received by the Target Company after the Completion Date but attributable to the period before and inclusive of the Completion Date, all of which are for the credit of the Vendor provided that and for the purpose of the Estimated Completion NAV or the Completion NAV, such rents, licence fees or other payments shall not be taken into the calculation of total assets of the Target Company. Notwithstanding the aforesaid, in the event the Purchaser and/or the Target Company receives or recovers any such rents and licence fees within one (1) year after the Completion Date, the Purchaser undertakes with the Vendor that it shall procure the Target Company to account and pay over such amount(s) to the Vendor, as soon as reasonably practicable but in any event no later than five (5) Business Days upon receipt of such payment

DEFINITIONS

“associate(s)”	has the meanings ascribed to it under the Listing Rules
“Audited Completion Accounts”	the audited accounts of the Target Company audited by the Target Company’s auditors comprising a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows for the period from the day after 31 December 2021 to the Completion Date and a statement of financial position as at the Completion Date to be prepared in substantially the same form as Pro Forma Completion Accounts and delivered to the Purchaser by the Vendor in accordance with the terms of the Sale and Purchase Agreement
“Board(s)”	the board of Directors of the Company
“Business Day(s)”	any day(s) (not being a Saturday, Sunday, public holiday or any day on which tropical cyclone warning signal No. 8 or above or black rainstorm warning is in force in Hong Kong at any time from 9:00 a.m. to 5:30 p.m.) on which banks are open in Hong Kong to the general public for business
“Company”	Shun Ho Holdings Limited 順豪控股有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 253)
“Completion”	completion of the Acquisition under the Sale and Purchase Agreement and the transactions contemplated thereunder
“Completion Date”	10 October 2022 or as may be extended as set out in the section headed “Conditions Precedent” of this circular
“Completion NAV”	the adjusted net asset value of the Target Company as at the date of Completion with reference to the Audited Completion Accounts determined in accordance with the terms of the Sale and Purchase Agreement
“Director(s)”	director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, passing the necessary resolution(s) to approve, among other matters, the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Estate Loan Payable”	that portion of the loans and interest thereon owed to or due from the estate of the late Mr. Tang Shing Bor, deceased, by or from or to the Target Company which are payable by the Target Company to the estate of the late Mr. Tang Shing Bor, deceased as at Completion
“Estimated Completion NAV”	the estimated Completion NAV determined in accordance with the terms of the Sale and Purchase Agreement and based on the Pro Forma Completion Accounts
“F&B Licence”	the general restaurant licence (No. 2292805202) relating to “Bay’s Kitchen & Bar” at G/F, The Bay Bridge, 123 Castle Peak Road, Yau Kom Tau, Tsuen Wan, New Territories, Hong Kong for the period between 19 April 2022 to 18 April 2023
“Grant”	a grant ad colligenda bona in respect of the estate of Mr. Tang Shing Bor, deceased, issued out of the Hong Kong courts to the extent of, among other things, the Estate Loan Payable which confers power on the Administrators to receive repayment of the Estate Loan Payable and to give a valid discharge therefor
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel Guest Licences”	those licences granted to hotel guests in relation to the Property (excluding the Licences)

DEFINITIONS

“Hotel Licence”	Licence No. H/2815 issued by Hotel and Guesthouse Accommodation Authority to the Target Company pursuant to the Hotel and Guesthouse Accommodation Ordinance (Cap. 349 of the Law of Hong Kong) in respect of the operation of the Property as a hotel/guesthouse for the period from 20 March 2019 to 19 March 2022 with the Target Company as the licensee, which remains effective pursuant to and in accordance with the Hotel Licence Renewal Letter
“Hotel Licence Renewal Letter”	the letter issued by the Hotel and Guesthouse Accommodation Authority dated 10th November 2021 acknowledging receipt of the Target Company’s application for renewal of the Hotel Licence and confirming continuous validity of the Hotel Licence
“Hotel Operating Agreement”	the hotel operating agreement entered into between SG Hotel Group Management Limited T/A Tang’s Living and the Target Company dated 1 October 2018 and further supplemented by a supplemental agreement dated 1 December 2018
“Independent Third Party(ies)”	an independent third party(ies) which is not connected with the chief executive, directors and substantial shareholders of the Company or any of their respective subsidiaries and their respective associates
“Latest Practicable Date”	6 September 2022, being the latest practicable date for ascertaining certain information referred to in this circular prior to printing of this circular
“Licences”	the existing other licences in respect of the Property (excluding the Hotel Licence, F&B Licence, Hotel Guest Licences and the Swimming Pool Licence) entered into by the Target Company and/or SG Hotel Group Management Limited T/A Tang’s Living as licensor in relation to operation of The Bay Bridge Lifestyle Retreat (汀蘭居) the hotel at the Property as at the Latest Practicable Date
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“MHI”	Magnificent Hotel Investments Limited 華大酒店投資有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 201)
“MHI EGM”	the extraordinary general meeting of MHI to be convened for the purpose of considering and, if thought fit, passing the necessary resolution(s) to approve, among other matters, the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder
“MHI Share(s)”	share(s) in the share capital of MHI
“MHI Shareholder(s)”	holder(s) of MHI Shares
“Mr. Tang”	Mr. Tang Yiu Sing (鄧耀昇), an Independent Third Party
“Pro Forma Completion Accounts”	the unaudited pro forma balance sheet as at the Completion Date and the unaudited pro forma profit and loss account for the period from 1 January 2022 to the Completion Date of the Target Company to be prepared and delivered to the Purchaser by the Vendor in accordance with the terms of the Sale and Purchase Agreement, having taken into account the Apportionment Account
“Property”	ALL THAT piece or parcel of ground registered in the Land Registry as TSUEN WAN TOWN LOT NO. 356 And of and in the messuages erections and buildings and car parking spaces thereon now known as NO. 123 CASTLE PEAK ROAD, TING KAU, TSUEN WAN, TERRITORIES, HONG KONG and the hotel operated thereon known as The Bay Bridge Lifestyle Retreat (汀蘭居)
“Purchaser”	Shun Ho Construction (Holdings) Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of MHI
“Sale and Purchase Agreement”	the sale and purchase agreement dated 11 May 2022 entered into between the Vendor, the Purchaser and Mr. Tang

DEFINITIONS

“Sale Loan”	the aggregate amount then outstanding and owing by the Target Company to the Vendor as at Completion, and which will be assigned from the Vendor to the Purchaser at Completion which is in the amount of approximately HK\$406,970,000 as at the Latest Practicable Date
“Sale Shares”	the entire issued share capital of the Target Company, being 10,000 shares of HK\$1.00 each
“SFO”	the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong)
“Share(s)”	share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“SHH Share(s)”	share(s) in the share capital of SHH
“SHH Shareholder(s)”	holder(s) of SHH Shares
“SHP”	Shun Ho Property Investments Limited 順豪物業投資有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 219)
“SHP EGM”	the extraordinary general meeting of SHP to be convened for the purpose of considering and, if thought fit, passing the necessary resolution(s) to approve, among other matters, the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder
“SHP Share(s)”	share(s) in the share capital of SHP
“SHP Shareholder(s)”	holder(s) of SHP Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Swimming Pool Licence”	the swimming pool licence dated 30 June 2021 (No. 2792000307) issued by the Food and Environmental Hygiene Department for one year from 11 September 2021 to 10 September 2022

DEFINITIONS

“Target Company”	Ocean Time Investments Limited (海麗投資有限公司), a company incorporated in Hong Kong with limited liability and is wholly-owned by the Vendor as at the Latest Practicable Date
“Vendor”	Crest Incorporated, a company incorporated in the British Virgin Islands with limited liability and an Independent Third Party
“%”	per cent

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

LETTER FROM THE BOARD



SHUN HO HOLDINGS LIMITED

順豪控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 253)

Executive Directors:

Mr. William CHENG Kai Man (*Chairman*)

Mr. Albert HUI Wing Ho

Madam Kimmy LAU Kam May

Madam NG Yuet Ying

Madam Wendy CHENG Wai Kwan

Registered Office:

3rd Floor, Shun Ho Tower

24-30 Ice House Street

Central, Hong Kong

Non-executive Director:

Madam Mabel LUI FUNG Mei Yee

Independent Non-executive Directors:

Mr. CHAN Kim Fai

Mr. LAM Kwai Cheung

Mr. Warren LIU Yuk Cho

8 September 2022

To the Shareholders

Dear Sir/Madam,

**VERY SUBSTANTIAL ACQUISITION
ACQUISITION OF TARGET COMPANY
AND
NOTICE OF EGM**

INTRODUCTION

Reference is made to the announcement dated 11 May 2022 of the Company in respect of the Acquisition.

LETTER FROM THE BOARD

On 11 May 2022, the Purchaser, an indirectly wholly-owned subsidiary of MHI, entered into the Sale and Purchase Agreement with the Vendor and Mr. Tang as guarantor for the obligations of the Vendor, pursuant to which the Purchaser has agreed to acquire the Sale Shares and accept the assignment of the Sale Loan and the Vendor has agreed to sell the Sale Shares and assign the Sale Loan to the Purchaser at a consideration of HK\$1,420,695,000, subject to adjustments. The maximum consideration expected to be payable by the Purchaser after adjustment would not exceed HK\$1,440,000,000. The Target Company is the sole legal and beneficial owner of the Property.

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

The majority shareholder(s) of the Company have indicated to the Vendor that they will vote in favour of the resolutions at the EGM to approve the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further information of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) financial information of the Group and the Target Company; (iii) pro forma financial information on the Enlarged Group; (iv) other information as required under the Listing Rules; and (v) notice of the EGM.

SALE AND PURCHASE AGREEMENT

Date

11 May 2022

Parties

Vendor : Crest Incorporated

Purchaser : Shun Ho Construction (Holdings) Limited, a directly wholly-owned subsidiary of MHI

Vendor's Guarantor : Mr. Tang Yiu Sing (鄧耀昇)

To the best of the Boards' knowledge, information and belief, having made all reasonable enquiries, Mr. Tang, the Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

LETTER FROM THE BOARD

Subject Matter

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire the Sale Shares and accept the assignment of the Sale Loan and the Vendor has agreed to sell the Sale Shares and assign the Sale Loan to the Purchaser at a consideration of HK\$1,420,695,000, subject to adjustments. The maximum consideration expected to be payable by the Purchaser after adjustment would not exceed HK\$1,440,000,000. The Target Company is the sole legal and beneficial owner of the Property. Mr. Tang has agreed to guarantee the obligations of the Vendor under the Sale and Purchase Agreement.

Consideration

Pursuant to the Sale and Purchase Agreement, the consideration payable by the Purchaser is HK\$1,420,695,000 (subject to the adjustment mechanism set out in the paragraph headed “Adjustment of consideration” below) and financed by the internal resources and the existing banking facilities of the Group. The payment arrangement of the consideration is as follows:

- (a) a deposit (the “**Deposit**”) in the sum of HK\$142,069,500 shall be paid by the Purchaser to the Vendor’s solicitors as stakeholders upon the execution of the Sale and Purchase Agreement and shall represent a deposit and part payment of the consideration;
- (b) at Completion, the balance of the adjusted consideration (the “**Balance**”) shall be paid by the Purchaser to the Vendor and/or the Vendor’s solicitors (or such other person(s) as the Vendor may direct in writing) by cashier order, solicitor’s cheque or such other method as the Purchaser and the Vendor may agree in writing; and
- (c) any adjustment shall be payable by the Purchaser to the Vendor, or, as the case may be, by the Vendor to the Purchaser in accordance with the section headed “Adjustment of the consideration” below.

The Deposit shall be held by the Vendor’s solicitors as stakeholders who may release the same to the Vendor or such person(s) as the Vendor may direct in writing in payment of the consideration upon Completion. The Deposit was paid by the Purchaser to the Vendor’s solicitors as stakeholders upon the execution of the Sale and Purchase Agreement on 11 May 2022 and has been held by the Vendor’s solicitors as stakeholders as at the Latest Practicable Date.

Adjustment of the Consideration

The Balance shall be adjusted upwards or downwards (as the case may be) accordingly, in the manner as follows:–

- (a) it shall be added to the Balance the amount of Estimated Completion NAV as set out in the Pro Forma Completion Accounts, if the Estimated Completion NAV is a positive figure; or
- (b) it shall be deducted from the Balance the absolute value of the amount of Estimated Completion NAV as set out in the Pro Forma Completion Accounts if the Estimated Completion NAV is a negative figure.

LETTER FROM THE BOARD

Within ten (10) Business Days after the certified calculation of the Completion NAV is delivered by the auditors of the Target Company in accordance with the terms of the Sale and Purchase Agreement:-

- (a) if the Completion NAV so certified is higher or less negative than the Estimated Completion NAV used for the purpose of determining the Balance, the Purchaser shall pay an amount equal to the difference to the Vendor or as it may direct; and
- (b) if the Completion NAV so certified is lower or more negative than the Estimated Completion NAV used for the purpose of determining the Balance, the Vendor shall refund an amount equal to the difference to the Purchaser.

Basis of the Consideration

The consideration under the Sale and Purchase Agreement was determined after arm's length negotiations between the Vendor and the Purchaser, having taken into account of, among other things:

- (i) the net asset value of the Target Company as at 31 December 2021;
- (ii) the profitability of the Target Company for the two financial years ended 31 December 2021 and 31 December 2020; and
- (iii) the valuation of the Property as at 15 December 2021, being HK\$2,460,000,000 appraised by Knight Frank Petty Limited, an independent valuer.

Valuation of the Property

Details of the valuation of the Property held by the Target Company appraised by Knight Frank Petty Limited as at 15 December 2021 are set out below:

Valuation Methodology : In the course of valuation, the Income Approach – DCF analysis has been adopted. DCF analysis is a financial modelling technique based on explicit assumptions regarding the prospective cash flow to operating real properties. This analysis involves the projection of a series of periodic cash flows to an operating property. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with the Property. In the case of operating real properties, periodic cashflow is typically estimated as gross income less vacancy and operating expenses and other outgoings. The series of periodic net operating incomes, along with an estimate of the reversionary or terminal value, anticipated at the end of the projection period, is then discounted at the discount rate, being a cost of capital or a rate of return used to convert a monetary sum, payable or receivable in the future, into present value.

LETTER FROM THE BOARD

The DCF Analysis has been undertaken on a yearly basis over a 10-year investment horizon. The net income in the year 10 is capitalised at an appropriate yield for the residual lease term. This analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of both income and capital growth over the residual lease term.

Valuation Assumptions : In the course of valuation, certain assumptions which collectively may have a material impact on the valuation have been made and these are noted as follows:

- (i) the valuation is based on the market evidence available in the market. Nevertheless, the actual transaction price of the Property is subject to the market condition and may deviate from the valuation;
- (ii) the Property has good and proper title and was freely transferable in the market as at the valuation date and its title is being free from any material encumbrances and defects;
- (iii) if the hotel operation is subject to a management contract that there is no onerous clause in the said hotel management contract which may materially affect the operation of the hotel; and
- (iv) the Property is fully equipped with the existing hotel furnishing, fixtures, fitting and operating equipment which are essential for the operation of a hotel. A portion of the valuation of the hotel is therefore attributable to movable contents including trade fixtures, fittings, furniture, furnishings and equipment.

An updated valuation report in respect of the Property with the valuation date of 31 July 2022 issued by Colliers International (Hong Kong) Limited, an independent valuer, on 8 September 2022 is included in Appendix V to this circular.

The Directors note that there is a difference in the valuation amount rendered by Knight Frank Petty Limited and Colliers International (Hong Kong) Limited and upon communication with Colliers International (Hong Kong) Limited, the difference in the valuation amount was mainly due to difference of the capitalization process as the Income Approach has been both adopted in both valuations, with similar valuation assumptions made by both Knight Frank Petty Limited and Colliers International (Hong Kong) Limited. The Directors understand from Colliers International (Hong Kong) Limited that the difference of the capitalization process was due to the different average daily room rates adopted by Knight Frank Petty Limited and Colliers International (Hong Kong) Limited, being HK\$800 (as at 15 December 2021) and

LETTER FROM THE BOARD

HK\$508 (as at 31 July 2022) respectively. The Directors further understand from Colliers International (Hong Kong) Limited that in determining the average daily room rate, the 2018-2022 revenue and average room rates provided have been taken into account. Moreover, in consideration of the hotel performance before COVID-19 and taking into account (i) the nearly total lock down which occurred between February to April 2022; (ii) the subsidy of the Hong Kong government granted to the hotel and hospitality sector; and (iii) the consistent implantation of tight social distancing measures by the Hong Kong government up until early July 2022, Colliers International (Hong Kong) Limited has adopted the average daily room rate of HK\$508. Accordingly, the Directors are of the view that the basis for adopting a lower average daily room rate of HK\$508 by Colliers International (Hong Kong) Limited is fair and reasonable. Details of the valuation assumptions of Colliers International (Hong Kong) Limited are set out in Appendix V to this circular.

Based on the communication with Colliers International (Hong Kong) Limited, the Directors understand that the income approach has been used and income approach is universally considered as the most accepted valuation approach for valuing most forms of on-going operational hotel properties. The Directors agree with the valuer that the income approach was appropriate for the valuation of the Property. The Directors note that the valuer also carried out physical site inspections. All investigations have been conducted independently and without influence from any third parties in any way. The valuer relied to a very considerable extent on the information provided by the Company and has accepted advice given to the valuer on such matters as particulars of occupancy, ownership title, lettings, statutory notices, easements, tenure, joint venture agreements and all other relevant matters. Dimensions, measurements and areas included in the valuation particulars are based on information provided and are only approximations.

According to the valuation report, the valuation of the Property has been made on the basis of market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”. In addition, the valuation has been made on the assumption that the Property would be sold in the open market in its existing state, subject to existing tenancies or otherwise with the benefit of vacant possession, without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could affect the value of the Property. The valuer has valued the Property on the basis that each of them is considered individually. The valuer has not allowed any discount for the Property being sold to one party nor taken into account any effect on the value if the Property was offered for sale at the same time as a portfolio. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

LETTER FROM THE BOARD

Based on the discussion with the valuer, the Directors are of the view that the adoption of the above key assumptions is reasonable and relevant and they are in line with market practice. After taken into account of the above, the Directors consider that the methodology, together with the underlying bases, and assumptions are fair and reasonable and that the valuation report is an appropriate reference for determining the valuation of the Property.

Subsequent to 31 July 2022 and up to the Latest Practicable Date, the Directors have been informed that there had been no material changes in the operation of the Target Company, and the Target Company had not conducted any significant acquisition or disposal of assets other than in the ordinary course of business of the Target Company.

The Directors are of the view that the terms of the Acquisition including the Consideration is fair and reasonable and in the interests of the Company's shareholders as a whole as the Consideration continues to be substantially lower than the valuation amount of HK\$1,610,000,000 rendered by Colliers International (Hong Kong) Limited.

Conditions Precedent

Completion is conditional upon, amongst other things, certain conditions precedent being satisfied (or waived by the Purchaser) on or before five Business Days prior to the Completion Date, including but not limited to the following:

- (a) the execution, entering into and the performance of the Sale and Purchase Agreement by the Purchaser and the transaction(s) contemplated thereunder having been approved by the Shareholders, SHP Shareholders and MHI Shareholders at the EGM, SHP EGM and MHI EGM respectively in accordance with the Listing Rules;
- (b) the Purchaser is reasonably satisfied with the results of due diligence review on the business, financial, legal and other aspects of the Target Company and the assets of the Target Company;
- (c) the issue of the Grant;
- (d) the Vendor having procured the Target Company to prove and give title to the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Cap.219 of the Laws of Hong Kong) at the Vendor's own costs;
- (e) termination of the Hotel Operating Agreement;
- (f) the Vendor having procured the discharge of all liabilities of the Target Company on or before Completion (other than the Sale Loan (which shall be assigned to the Purchaser upon Completion), the Estate Loan Payable (which shall be discharged in full on Completion) and the liabilities in relation to the existing mortgages over the Property which shall be discharged in full on Completion);
- (g) the Hotel License having been renewed and is valid and subsisting; and
- (h) the Purchaser having received from or on behalf of the Vendor a confirmation by the Administrators of the amount of Estate Loan Payable as at the date of Completion.

LETTER FROM THE BOARD

The Vendor shall use its reasonable endeavours to achieve satisfaction of the conditions precedent (other than condition precedent (a)) as soon as possible after the date of the Sale and Purchase Agreement. The Vendor shall provide reasonable assistance to the Purchaser to enable the Purchaser to satisfy the condition precedent (a) above, including without limitation:

- (a) the provision of information of the Target Company in the possession of the Vendor and/or the Target Company as may be reasonably requested by the Purchaser and/or the Stock Exchange in writing and if required by the Purchaser in writing; and
- (b) at the request and cost of the Purchaser, to request the auditors of the Target Company to issue prior to 4 July 2022 (i) the partial audited financial statements of the Target Company covering the period from 1 January 2022 to 30 April 2022; (ii) the accountants' reports of the Target Company covering the three years ended 31 December 2021 and the period from 1 January 2022 to 30 April 2022 for inclusion in the circulars to be issued by each of SHH, SHP and MHI; and (iii) the consent letter as required by the Stock Exchange in connection with issuance of the foregoing circulars.

The Purchaser shall use its reasonable endeavours to achieve satisfaction of condition precedent (a) as soon as possible after the date of the Sale and Purchase Agreement. If condition precedent (a) has not been satisfied at or before 5:00 pm on the date falling on five (5) Business Days prior to the Completion Date, the Purchaser shall have the option by service of a written notice on the Vendor to postpone the Completion Date to a date (being a Business Day) falling not more than sixty (60) days after the Completion Date. In the event that condition precedent (a) is satisfied prior to the postponed Completion Date, the Purchaser shall have the right upon giving 14 days' written notice to the Vendor to request for Completion to take place on the expiry of such notice period. In the event that after such postponement, such condition precedent still remains to be unsatisfied, the Vendor shall have the right to terminate the Sale and Purchase Agreement by written notice to the Purchaser, in which event, the Vendor shall, within five (5) Business Days upon receipt of written demand by the Purchaser, return or procure to be returned to the Purchaser the Deposit without any interest or cost and subject to this, none of the parties shall have any further claim or cause of action against any other parties.

At any time at or before 5:00 p.m. on the date falling on five (5) Business Days prior to the Completion Date, if any of the conditions precedent (other than conditions precedent (a), (c) and (g)) has not been satisfied, the Purchaser may at its option (but without prejudice to any other right or remedy that it may have), by notice to the Vendor:

- (1) waive the condition(s) precedent which has/have not been satisfied;
- (2) postpone the Completion to a date (being a Business Day) falling not more than sixty (60) Business Days after the Completion Date; or

LETTER FROM THE BOARD

- (3) terminate the Sale and Purchase Agreement in which event the Vendor shall, within five (5) Business Days upon receipt of written demand by the Purchaser, return or procure to be returned to the Purchaser the Deposit without any interest or cost and, subject to this, the Purchaser and Vendor shall not have any further claim or cause of action against any other party.

If condition precedent (c) has not been satisfied at or before 5:00 pm on the date falling on five (5) Business Days prior to the Completion Date, either the Vendor or the Purchaser shall have the option by service of a written notice on the Purchaser to postpone the Completion Date to a date (being a Business Day) falling not more than sixty (60) days after the Completion Date. In the event that (a) after such postponement, such condition precedent still remains to be unsatisfied, or (b) neither the Vendor nor the Purchaser has elected to exercise such option, then either the Vendor or the Purchaser shall have the right to terminate the Sale and Purchase Agreement by written notice to the other, in which event, the Vendor shall, within five (5) Business Days upon receipt of written demand by the Purchaser, return or procure to be returned to the Purchaser the Deposit without any interest or cost and subject to this, none of the parties shall have any further claim or cause of action against any other parties.

If the condition precedent (g) has not been satisfied or waived by the Purchaser (in which case without prejudice to any other right or remedy that it may have) at or before 5:00 pm on the date falling on five (5) Business Days prior to the Completion Date, the Purchaser shall have the right to waive such Condition and proceed to Completion accordingly. However, if it is not waived by the Purchaser as aforesaid, either the Vendor or the Purchaser shall have the option by service of a written notice on the Purchaser to postpone the Completion Date to a date (being a Business Day) falling not more than sixty (60) days after the Completion Date. In the event that (a) after such postponement, such condition precedent still remains to be unsatisfied, or (b) neither the Vendor nor the Purchaser has elected to exercise such option, then either the Vendor or the Purchaser shall have the right to terminate the Sale and Purchase Agreement in which event the Vendor shall, within five (5) Business Days upon receipt of written demand by the Purchaser, return or procure to be returned to the Purchaser the Deposit without any interest or cost and subject to this, none of the parties shall have any further claim or cause of action against any other parties.

As at the Latest Practicable Date, the application for Hotel Licence has been renewed and is valid and subsisting, and the Grant is still under application to the court.

Completion

Completion shall take place on the Completion Date, provided that at any time following the issue of the Grant and after satisfaction (or waiver) of all other conditions precedents, the Purchaser shall have the right upon giving 14 days' written notice to the Vendor to request for Completion to take place on expiry of such notice.

LETTER FROM THE BOARD

Guarantee

Mr. Tang has unconditionally and irrevocably guaranteed as primary obligor to the Purchaser the due and punctual performance and observance by the Vendor of all obligations and undertakings under the Sale and Purchase Agreement and other transaction documents, including all payment obligations of the Vendor under the Sale and Purchase Agreement and other transaction documents (the “**Vendor’s Obligations**”) and undertakes to indemnify and keep indemnified the Purchaser against all losses which it may suffer or incur by reason of any default on the part of the Vendor in the performance of the Vendor’s Obligations.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and is wholly-owned by the Vendor. The principal business of the Target Company is investment holding. The Target Company is the sole legal and beneficial owner of the Property.

LETTER FROM THE BOARD

Set out below is an extract of the audited financial statements prepared for the two financial years ended 31 December 2021 and 31 December 2020 respectively of the Target Company prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended	
	31 December 2021 (HK\$'000)	31 December 2020 (HK\$'000)
Revenue	68,148	54,496
Loss before taxation	(46,908)	(52,812)
Loss after taxation	(47,685)	(53,364)

The audited net assets as at 31 December 2021 and 31 December 2020 of the Target Company amounted to approximately HK\$978,511,000 and HK\$1,026,196,000 respectively.

INFORMATION OF THE PROPERTY

The Property is situate at No. 123 Castle Peak Road, Ting Kau, Tsuen Wan, Territories, Hong Kong with a hotel operating at the Property commonly known as “The Bay Bridge Lifestyle Retreat (汀蘭居)”. The total gross floor area of the Property is approximately 216,314 square feet. The Property comprises a 16-storey hotel (including 3-storey basement) providing a total of 435 guest rooms with a restaurant, swimming pool and gym. The Property is held under a Government Lease commencing from 8 September 1992 and expiring on 30 June 2047 and the current Government rent payable is 3% of the total operating revenue of the Target Company per annum. As at the Latest Practicable Date, the Property is legally and beneficially owned by the Target Company.

INFORMATION OF THE VENDOR

The Vendor is a company incorporated in the British Virgin Islands with limited liability. The principal business of the Vendor is investment holding. The Vendor is wholly-owned by Lafa Yette Hotel Limited which is in turn wholly-owned by the late Mr. Tang Shing Bor, deceased.

To the best of the Boards’ knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are Independent Third Parties.

INFORMATION OF THE COMPANY AND THE PURCHASER

The Company is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activities of the Company include hotel development and management and property leasing.

LETTER FROM THE BOARD

The Purchaser is a company incorporated in Hong Kong with limited liability and is directly wholly-owned by MHI. MHI is owned as to approximately 71.09% by SHP which is in turn owned as to approximately 66.18% by the Company. The principal business of the Purchaser is investment holding.

FINANCIAL EFFECT OF THE ACQUISITION

Upon Completion, the Company will hold the entire issued share capital of the Target Company and the Target Company will become an indirectly wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Group's financial statement with the relevant accounting standards.

Earnings

The audited profit before depreciation attributable to the owners of the Company for the financial year ended 31 December 2021 was approximately HK\$76,278,000 as disclosed in its 2021 annual report.

As set out in the unaudited pro-forma financial information of the Enlarged Group in Appendix IV to this circular, if the Acquisition had taken place on 1 January 2021, the net profit before depreciation attributable to the owners of the Company would be approximately HK\$77,143,000.

The Directors consider that the Acquisition will bring positive contribution to the earnings of the Enlarged Group but the quantification of such contribution will depend on the future performance of the Target Company.

Assets and Liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, if the Acquisition had taken place on 31 December 2021, the Group's total assets would increase from approximately HK\$9,067,328,000 to approximately HK\$10,239,002,000 and total liabilities would increase from approximately HK\$1,065,663,000 to approximately HK\$2,239,697,000, representing a decrease of total consolidated total net assets position from approximately HK\$8,001,665,000 to HK\$7,999,305,000.

Further details of the financial effect of the Acquisition together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out, for illustrative purpose only, in Appendix IV to this circular.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors are of the opinion that the Acquisition represents a good opportunity to allow the Company to (i) expand their existing hotel management services and hotel management portfolio; (ii) increase the source of revenue; and (iii) improve the profitability in the future. The Directors are of the view that the border with the PRC and other countries will re-open eventually and the tourism sector will eventually prosper, as such, the Directors are of the view that the current economic environment is a good opportunity for the Group to acquire more local hotel properties to tap into the potential growth, taking into account that the social disturbance and COVID for the last 3 years continue to subside. Moreover, the Group is planning to renovate and refurbish the Property and upgrade the facilities of the Property upon Completion so as to modernize both the exterior and interior of the Property which is expected to take around 9-12 months' time. The Group is also planning to advertise the Property upon completion of those renovation works via different social media platforms so as to raise the brand prestige of the Property. The Directors are of the view that with these measures, the Property will be able to attract both foreign tourists and local tours given its prime location, comprehensive ancillary facilities and modernized furnishings and thus improve the profitability of the Company.

As mentioned above, the valuation of the Property as at 31 July 2022 was HK\$1,610,000,000 while the maximum consideration expected to be payable by the Purchaser after adjustment would not exceed HK\$1,440,000,000. The Group will be able to acquire the Property which is situate at a prime location in Hong Kong well below the market value.

LISTING RULES IMPLICATION

The Purchaser is directly wholly-owned by MHI. MHI is owned as to approximately 71.09% by SHP which is in turn owned as to approximately 66.18% by the Company. As one or more of the applicable percentage ratios for the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company and is subject to the reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The majority shareholder(s) of the Company have indicated to the Vendor that they will vote in favour of the resolutions at the EGM to approve the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and therefore, no Shareholder is required to abstain from voting at the EGM for the relevant resolution(s) to approve the Acquisition.

LETTER FROM THE BOARD

THE EGM

An EGM will be convened for the purpose of considering and, if thought fit, passing the necessary resolution(s) to approve, among other matters, the entering into of the Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder. A notice convening the EGM to be held at 10:30 a.m. (Hong Kong time) on Thursday, 29 September 2022 at Conference Room, Basement, Best Western Plus Hotel Kowloon, 73-75 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong or any adjournment thereof is set out on pages 90 to 91 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the EGM, from 26 September 2022 to 29 September 2022, both days inclusive, during which period no transfers of shares will be effected. In order to be eligible to attend and vote at the EGM, all properly completed and duly stamped transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on 23 September 2022.

RECOMMENDATION

The Directors are of the opinion that the terms of the Sale and Purchase Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully
By Order of the Board
Shun Ho Holdings Limited
William CHENG Kai Man
Chairman

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2019, 2020, 2021 AND UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2022

The audited consolidated financial statements of the Group (a) for the year ended 31 December 2019 are set out from page 45 to page 119 in the 2019 Annual Report of the Company, which was published on 20 April 2020; (b) for the year ended 31 December 2020 are set out from page 32 to page 103 in the 2020 Annual Report of the Company, which was published on 19 April 2021; and (c) for the year ended 31 December 2021 are set out from page 30 to page 102 in the 2021 Annual Report of the Company, which was published on 13 April 2022.

The unaudited financial information of the Group for the six months ended 30 June 2022 are set out in the interim results announcement of the Company, which was published on 29 August 2022.

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

2019 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0420/2020042000295.pdf>

2020 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0419/2021041900604.pdf>

2021 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0413/2022041300714.pdf>

2022 Interim Results Announcement:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0829/2022082900657.pdf>

2. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

As at the close of business on 31 July 2022, being the Latest Practicable Date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Enlarged Group had the following outstanding bank and other borrowings, an amount due to a shareholder and an amount due to a former director of the Target Company:

- (i) unguaranteed and unsecured advance from Trillion Resources Limited amounting to approximately HK\$37.4 million;

- (ii) an amount due to a shareholder amounting to approximately HK\$5.1 million which is unsecured and unguaranteed;
- (iii) bank borrowings of approximately HK\$666.6 million which was guaranteed by subsidiaries of the Group and secured by (a) fixed charges on certain of the Group's properties, (b) equity interests in certain subsidiaries of the Group, (c) assignment of the Group's rental revenue and (d) assignment of insurance on a hotel property and certain investment properties of the Group;
- (iv) an amount due to a former director of Target Company amounting to approximately HK\$407.0 million which is unsecured and unguaranteed.

Save as aforesaid, and apart from intra-group liabilities, the Enlarged Group did not have any outstanding debt securities issued and outstanding, and authorized or otherwise created but unissued, term loans, bank overdraft and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities, at the close of business on 31 July 2022.

3. WORKING CAPITAL

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

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2021, the date to which the latest published audited financial statements of the Group were made up.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the Group for each of the three years ended 31 December 2019, 2020 and 2021 extracted from the Company's annual reports for each of the three years ended 31 December 2019, 2020 and 2021. Unless otherwise defined in this circular or the context otherwise requires, capitalised terms used in this section shall have the same meanings as those ascribed in the abovementioned annual reports of the Company, as the case may be.

For the Year Ended 31 December 2019***Results***

For the year ended 31 December 2019, revenue of the Group amounted to approximately HK\$617,309,000 (year ended 31 December 2018: HK\$787,132,000), representing a decrease of approximately HK\$169,823,000 or 22%. The profit for the year ended 31 December 2019 attributable to owners of the Company was approximately HK\$4,000,000 (year ended 31 December 2018: HK\$310,000,000).

Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

Overview

For the year ended 31 December 2019, the Group's income was mostly derived from commercial properties investment and leasing, and hotels investments and hotel management. The total income for the Group decreased by 22% from approximately HK\$787,132,000 to HK\$617,309,000 compared with the year ended 31 December 2018.

Hong Kong has been suffering from social disorders and coronavirus in the last several months which has stopped the International/the PRC tourism visiting. Such unforeseeable circumstances have adversely affected the local economy, hospitality, retail and hotel market of Hong Kong which most establishments are either closed or operating on low occupancy with significant losses. It is the management's view that the local social disorders are not easily resolvable and are likely to continue for sometimes that seriously affect the PRC and international visitors. The coronavirus may also take more months to die out for recovery of international travel and leisure tourism. The combination of lengthy damaged economy of Hong Kong, the PRC and global, continuous coronavirus, continuous social disorders and trade wars, the management envisage the hotel operations will be lost making for sometimes. The management will continue to try to maintain high hotel occupancies to compensate hotel operating costs. Most of the tenants at the Group's King Road office building and Shun Ho Tower are multinational trading companies and because of the US/China trade war, retail closures due to the street violence and the nearly collapsed economies, those trading companies tenants are experiencing difficulties. Thus, it is expected the vacancies of the buildings may increase fast and quickly.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Venture

The Group did not acquire or dispose of any material subsidiaries, associates or joint ventures during the year ended 31 December 2019.

Liquidity, Capital Resources and Capital Structure

As at 31 December 2019, the overall debts of the Group including SHP and MHI and their subsidiaries were approximately HK\$915,000,000 (2018: HK\$1,110,000,000). The bank loan decreased due to repayment of bank borrowings during the year. The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar and Pound Sterling. Accordingly, the Group exposes to exchange risk and management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Gearing ratio

The gearing ratio of the Group (including MHI and its subsidiaries) in terms of overall debts against funds employed was 11% (2018:14%).

Foreign exchange risk

The Group's businesses are mainly carried out in Hong Kong and all transactions including major revenue and cost items are denominated in HK\$ and the Group has no material transaction currency exposure. The Group currently does not have a foreign currency hedging policy.

Capital commitments

As at 31 December 2019, the Group had outstanding commitments contracted for but not provided in the consolidated financial statements in respect of expenditure on property, plant and equipment amounting to approximately HK\$760,000 (2018: HK\$382,000).

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2019.

Pledge of assets

At the end of the reporting period for the year ended 31 December 2019, the bank loan facilities of the Group were secured by the followings:

- (a) investment properties and Hotel Properties of the Group with carrying amounts as at 31 December 2019 of approximately HK\$4,118 million (2018: HK\$4,169 million) and HK\$3,385 million (2018: HK\$3,471 million), respectively;
- (b) pledge of shares in certain subsidiaries with an aggregate net asset value as at 31 December 2019 of approximately HK\$4,558 million (2018: HK\$4,518 million);
- (c) assignment of property rental of certain subsidiaries;

- (d) charge over deposits and securities of a subsidiary; and
- (e) assignment of insurance on certain of the Hotel Properties.

Share capital and capital structure

There was no change in the share capital and capital structure of the Company during the year ended 31 December 2019.

Employees

As at 31 December 2019, the Group's staffing number was 698 (2018: 753), decreased by 7%. Total costs (including Directors' remuneration) of the Group for the year ended 31 December 2019 was approximately HK\$223,424,000.

The remuneration schemes of the Group are generally structured with reference to market conditions and the qualifications of the employees and the reward packages, including discretionary bonus, for the staff are generally reviewed on an annual basis, depending on the staff's and the Group's performance. Apart from salary payments and contributions to the retirement benefit schemes and pension schemes, other staff benefits include participation in share option scheme and medical insurance for eligible employees. In-house and external training programs are also provided as and when required.

For the year ended 31 December 2020

Results

For the year ended 31 December 2020, revenue of the Group amounted to approximately HK\$387,911,000 (year ended 31 December 2019: HK\$617,309,000), representing a decrease of approximately HK\$229,398,000 or 37%. The loss for the year ended 31 December 2020 attributable to owners of the Company was approximately HK\$96,000,000 (year ended 31 December 2019: profit of HK\$4,000,000).

Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

Overview

For the year ended 31 December 2020, the Group's income was mostly derived from commercial properties investment and leasing, and hotels investments and hotel management. The total income for the Group decreased by 37% from approximately HK\$617,309,000 to HK\$387,911,000 compared with the year ended 31 December 2019.

Hong Kong has been suffering from US-Sino trade war and COVID-19 which have stopped international/PRC tourism visiting. Such unforeseeable circumstances have adversely affected the local economy, hospitality, retail and hotel market of Hong Kong with most establishments either closed or operating on low occupancies with significant losses. It is the management's view that in 2021, due to the continuous COVID-19 effect and unstable US-China relationship, it is quite unlikely that overseas/PRC visitors will return to Hong Kong. Hotels in Hong Kong and retail stores will continue to suffer from low occupancies and high operating costs. The management will continue to try to control hotel operating costs. Most of the tenants at the Group's 633 King's Road office building and Shun Ho Tower are multinational trading companies and because of the US/China trade war and retail closures that weakened economy and consumption index, those trading companies tenants are experiencing difficulties. Thus, it is expected the vacancies of the buildings may increase quickly. In longer term, the continuous adverse US-China relationship will impact on the geopolitics, which may continue to damage any international tourism and economy recovering.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Venture

The Group did not acquire or dispose of any material subsidiaries, associates or joint ventures during the year ended 31 December 2020.

Liquidity, Capital Resources and Capital Structure

At 31 December 2020, the overall debts of the Group including SHP and MHI and their subsidiaries were approximately HK\$870,000,000 (2019: HK\$915,000,000). The decrease in overall debts was due to the repayment of bank borrowings during the year. The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar and Pound Sterling. Accordingly, the Group exposes to exchange risk and management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Gearing ratio

The gearing ratio of the Group (including MHI and its subsidiaries) in terms of overall debts against funds employed was 11% (2019: 11%).

Foreign exchange risk

The Group's businesses are mainly carried out in Hong Kong and all transactions including major revenue and cost items are denominated in HK\$ and the Group has no material transaction currency exposure. The Group currently does not have a foreign currency hedging policy.

Capital commitments

As at 31 December 2020, the Group had no outstanding commitments contracted for but not provided in the consolidated financial statements (2019: HK\$760,000).

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2020.

Pledge of assets

At the end of the reporting period for the year ended 31 December 2020, the bank loan facilities of the Group were secured by the followings:

- (a) investment properties and hotel properties of the Group with carrying amounts as at 31 December 2020 of approximately HK\$3,960 million (2019: HK\$4,118 million) and HK\$3,300 million (2019: HK\$3,385 million), respectively;
- (b) pledge of shares in certain subsidiaries of the Company with an aggregate net asset value as at 31 December 2020 of approximately HK\$4,462 million (2019: HK\$4,558 million);
- (c) assignment of property rental of certain subsidiaries of the Company; and
- (d) assignment of insurance on certain of the hotel properties.

Share capital and capital structure

There was no change in the share capital and capital structure of the Company during the year ended 31 December 2020.

Employees

As at 31 December 2020, the Group's staffing number was 566 (2019: 698), decreased by 19%. Total costs (including Directors' remuneration) of the Group for the year ended 31 December 2020 was approximately HK\$115,481,000.

The remuneration schemes of the Group are generally structured with reference to market conditions and the qualifications of the employees and the reward packages, including discretionary bonus, for the staff are generally reviewed on an annual basis, depending on the staff's and the Group's performance. Apart from salary payments and contributions to the retirement benefit schemes and pension schemes, other staff benefits include participation in share option scheme and medical insurance for eligible employees. In-house and external training programs are also provided as and when required.

For the year ended 31 December 2021***Results***

For the year ended 31 December 2021, revenue of the Group amounted to approximately HK\$514,409,000 (year ended 31 December 2020: HK\$387,911,000), representing an increase of approximately HK\$126,498,000 or 33%. The profit for the year ended 31 December 2021 attributable to owners of the Company was approximately HK\$30,000,000 (year ended 31 December 2020: loss of HK\$96,000,000).

Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

Overview

For the year ended 31 December 2021, the Group's income was mostly derived from commercial properties investment and leasing, and hotels investments and hotel management. The total income for the Group increased by 33% from approximately HK\$387,911,000 to HK\$514,409,000 compared with the year ended 31 December 2020.

Hong Kong has been suffering from US-Sino trade war and COVID-19 which have stopped international/PRC tourism visiting. Such unforeseeable circumstances have adversely affected the local economy, hospitality, retail and hotel market of Hong Kong with most establishments either closed or operating on low occupancies with significant losses. It is the management's view that in the remaining 2022, due to the continuous COVID-19 effect, it is quite unlikely that significant overseas/PRC visitors will return to Hong Kong. Hotels in Hong Kong and retail stores will continue to suffer from low occupancies and high operating costs. The management will continue to try to control hotel operating costs. Six of the Group's hotels in Hong Kong and Shanghai are operating as quarantine hotels under short term contracts with Government. Most of the tenants at the Group's 633 King's Road office building and Shun Ho Tower are multinational trading companies and because of the US/China trade war and retail closures that weakened economy and consumption index, those trading companies tenants are experiencing difficulties. Thus, it is expected the vacancies of the buildings may increase quickly. Future prospects of the hotel business and rental incomes continue to be most challenging and unstable. Management will continue its effort to increase incomes and control costs.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Venture

The Group did not acquire or dispose of any material subsidiaries, associates or joint ventures during the year ended 31 December 2021.

Liquidity, Capital Resources and Capital Structure

At 31 December 2021, the overall debts of the Group including SHP and MHI and their subsidiaries were approximately HK\$784,000,000 (2020: HK\$870,000,000). The decrease in overall debts was due to the repayment of bank borrowings during the year. The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar and Pound Sterling. Accordingly, the Group exposes to exchange risk and management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Gearing ratio

The gearing ratio of the Group (including MHI and its subsidiaries) in terms of overall debts against funds employed was 10% (2020: 11%).

Foreign exchange risk

The Group's businesses are mainly carried out in Hong Kong and all transactions including major revenue and cost items are denominated in HK\$ and the Group has no material transaction currency exposure. The Group currently does not have a foreign currency hedging policy.

Capital commitments

As at 31 December 2021, the Group had capital expenditure in respect of the acquisition of investment properties contracted for but not provided in the consolidated financial statements (2020: HK\$Nil).

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2021.

Pledge of assets

At the end of the reporting period for the year ended 31 December 2021, the bank loan facilities of the Group were secured by the followings:

- (a) investment properties and hotel properties of the Group with carrying amounts as at 31 December 2021 of approximately HK\$4,004 million (2020: HK\$3,960 million) and HK\$3,214 million (2020: HK\$3,300 million), respectively;
- (b) pledge of shares in certain subsidiaries of the Company with an aggregate net asset value as at 31 December 2021 of approximately HK\$3,992 million (2020: HK\$4,462 million);

- (c) assignment of property rental of certain subsidiaries of the Company; and
- (d) assignment of insurance on a hotel property and certain investment properties.

Share capital and capital structure

There was no change in the share capital and capital structure of the Company during the year ended 31 December 2021.

Employees

As at 31 December 2021, the Group's staffing number was 486 (2020: 566), decreased by 14%. Total costs (including Directors' remuneration) for the year ended 31 December 2021 was approximately HK\$145,545,000.

The remuneration schemes of the Group are generally structured with reference to market conditions and the qualifications of the employees and the reward packages, including discretionary bonus, for the staff are generally reviewed on an annual basis, depending on the staff's and the Group's performance. Apart from salary payments and contributions to the retirement benefit schemes and pension schemes, other staff benefits include participation in share option scheme and medical insurance for eligible employees. In-house and external training programs are also provided as and when required.

6. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Following Completion, the Enlarged Group will continue to be engaged in property investments and leasing as carried out by the Group.

The corporate strategy of the Group is to build hotels on grade B commercial locations which are most suitable for hotel business in terms of low acquisition costs and high yields. The Group benefits from the development of these hotels from good operating incomes, but most importantly is their capital value gain. The Group presently owns and operates seven hotels including: (1) Best Western Plus Hotel Kowloon, (2) Best Western Plus Hotel Hong Kong, (3) Ramada Hong Kong Grand, (4) Best Western Hotel Causeway Bay, (5) Ramada Hong Kong Harbour View and (6) Ramada Hong Kong Grand View and (7) Magnificent International Hotel, Shanghai which will continue to be one of the largest hotel groups in Hong Kong.

Set out below are certain financial information of each of the seven operating hotels of the Group for each of the two financial years ended 31 December 2021 and 2020:

Name of Hotel	Revenue		EBITDA	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Best Western Plus Hotel Kowloon	20,566	24,526	1,146	5,492
Best Western Plus Hotel Hong Kong	55,226	35,544	17,377	10,813
Ramada Hong Kong Grand	54,221	36,068	17,994	12,758
Best Western Hotel Causeway Bay	39,260	23,220	9,623	2,992
Ramada Hong Kong Harbour View	64,295	36,385	22,893	10,359
Ramada Hong Kong Grand View	62,334	33,749	26,451	9,949
Magnificent International Hotel, Shanghai	18,627	8,272	6,152	395
Total	314,529	197,764	101,636	52,758

For property leasing activities of the Group, the Group will continue to develop and maintain its property leasing activities, especially the Royal Scot Hotel in London, office buildings of Shun Ho Tower, 633 King's Road and shops from Best Western Plus Hotel Kowloon, Best Western Plus Hotel Hong Kong and Ramada Hong Kong Grand.

The Directors are of the view that the border with the PRC and other countries will re-open eventually and the tourism sector will eventually prosper, as such, the Directors are of the view that the current economic environment is a good opportunity for the Group to acquire more local hotel properties to tap into the potential growth, taking into account that the social disturbance and COVID for the last 3 years continue to subside.

Accordingly, having considered the above factors, including, among other things, (i) the performance of the Target Company; (ii) the improvement in financial position of the Group for disposing a hotel property in Hong Kong as disclosed in the announcement of the Company dated 11 May 2022; and (iii) that the Enlarged Group will have sufficient level of operations and assets of sufficient value as required under Rule 13.24 of the Listing Rules upon Completion, the Board (including the independent non-executive directors of the Boards) consider the terms of the Sale and Purchase Agreement to be fair and reasonable, and that the entering into of the Sale and Purchase Agreement and the Acquisition is in the interest of the Shareholders as a whole.

APPENDIX II MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY

Set out below is the management discussion and analysis of the Target Company for the three years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022 (the “**Track Record Period**”) based on the financial information of the Target Company set out in Appendix III to this circular.

BUSINESS REVIEW

The Target Company is a company incorporated in Hong Kong with limited liability and is wholly-owned by the Vendor. The principal business of the Target Company is investment holding. The Target Company is the sole legal and beneficial owner of the Property.

FINANCIAL REVIEW

Revenue

During the Track Record Period, the Target Company derived its revenue mainly from the operation of the hotel on the Property including rents from hotel room, income from functions held at the hotel etc. For the three years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, the revenue of the Target Company amounted to approximately HK\$90,841,000, HK\$54,496,000, HK\$68,148,000 and HK\$36,404,000 respectively.

Cost of sales

During the Track Record Period, the costs of sales the Target Company amounted to approximately HK\$5,696,000, HK\$1,762,000, HK\$4,805,000 and HK\$208,000 respectively.

Other services costs

During the Track Record Period, the other services cost of the Target Company amounted to approximately HK\$44,488,000, HK\$30,624,000, HK\$38,843,000 and HK\$13,193,000 respectively.

Depreciation of property, plant and equipment

During the Track Record Period, the depreciation of property, plant and equipment of the Target Company amounted to approximately HK\$59,621,000, HK\$59,710,000, HK\$57,775,000 and HK\$19,259,000 respectively.

Gross (Loss) Profit

During the Track Record Period, the gross (loss) profit of the Target Company amounted to approximately HK\$(18,964,000), HK\$(37,600,000), HK\$(33,275,000) and HK\$3,744,000 respectively.

Other Income and Gains and Losses

During the Track Record Period, the other income and gains and losses of the Target Company amounted to approximately HK\$210,000, HK\$491,000, HK\$454,000 and HK\$(3,604,000) respectively. Other income of the Target Company primarily comprises of bank deposits and subsidy from Anti-Epidemic Funds for the year ended 31 December 2020 onwards.

Administrative Expenses

During the Track Record Period, the Target Company incurred administrative expenses of approximately HK\$11,073,000, HK\$7,938,000, HK\$9,648,000 and HK\$3,813,000 respectively.

Finance costs

During the Track Record Period, the Target Company incurred finance costs of approximately HK\$10,635,000, HK\$7,765,000, HK\$4,439,000 and HK\$1,536,000 respectively.

Income tax expense

During the Track Record Period, the Target Company incurred income tax expenses of approximately HK\$2,733,000, HK\$552,000, HK\$777,000 and HK\$3,364,000 respectively.

Loss and Total Comprehensive Expense for the year/period attributable to the Owners of the Target Company

During the Track Record Period, the Target Company recorded loss and total comprehensive expense attributable to the Owners of the Target Company amounted to HK\$43,195,000, HK\$53,364,000, HK\$47,685,000 and HK\$8,573,000 respectively.

Inventories

As at 31 December 2019, 2020, 2021 and 30 April 2022, inventories of the Target Company amounted to approximately HK\$410,000, HK\$355,000, HK\$338,000 and HK\$378,000 respectively.

Trade and other receivables

As at 31 December 2019, 2020, 2021 and 30 April 2022, trade and other receivables of the Target Company amounted to approximately HK\$309,000, HK\$223,000, HK\$455,000 and HK\$23,494,000 respectively.

Other Deposits and Prepayments

As at 31 December 2019, 2020, 2021 and 30 April 2022, deposits and prepayments of the Target Company amounted to approximately HK\$908,000, HK\$1,411,000, HK\$842,000 and HK\$1,685,000 respectively.

Cash and Cash Equivalents

As at 31 December 2019, 2020, 2021 and 30 April 2022, the cash and bank balances of the Target Company amounted to approximately HK\$6,903,000, HK\$6,915,000, HK\$8,541,000 and HK\$753,000 respectively and all the cash and bank balances of the Target Company were denominated in HK\$.

Gearing Ratio and Basis of Calculation

The gearing ratio is calculated by the overall debts divided by funds employed. As at 30 April 2022, the Target Company's gearing ratio was 45%. As at 31 December 2019, 2020 and 2021, the Target Company's gearing ratios were 40%, 43% and 45% respectively.

Contingent Liabilities

As at 31 December 2019, 2020, 2021 and 30 April 2022, the Target Company has no significant contingent liabilities.

Significant Investments, Material Acquisitions and Disposals

The Target Company did not have significant investments, material acquisitions and disposals during the Track Record Period.

Capital Commitments

The Target Company did not have material capital commitments as at 31 December 2019, 2020, 2021 and 30 April 2022 respectively.

Employees

The Target Company remunerates its employees on a level which is similar to its peer in the hotel industry in Hong Kong.

As at 31 December 2019, 2020, 2021 and 30 April 2022, the Target Company had 80, 73, 69 and 69, employees respectively; and the total remuneration including the contribution to mandatory pension schemes, wages and salaries and other employee benefits amounted to approximately HK\$23,982,000, HK\$15,730,000, HK\$23,847,000 and HK\$8,365,000 respectively.

The following is the text of a report set out on pages 37 to 65, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF OCEAN TIME INVESTMENTS LIMITED TO THE DIRECTORS OF SHUN HO HOLDINGS LIMITED

Introduction

We report on the historical financial information of Ocean Time Investments Limited (the "Target Company") set out on pages 40 to 65, which comprises the statements of financial position of the Target Company as at 31 December 2019, 2020 and 2021 and 30 April 2022, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for each of the three years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages 40 to 65 forms an integral part of this report, which has been prepared for inclusion in the circular of Shun Ho Holdings Limited (the "Company") dated 8 September 2022 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Target Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Company is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2019, 2020 and 2021 and 30 April 2022 and of the Target Company's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the four months ended 30 April 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Target Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410

“Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

The Historical Financial Information is stated after making such adjustments to the Historical Financial Statements as defined on page 40 as were considered necessary.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividend was declared or paid by the Target Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
8 September 2022

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on previously issued financial statements and management accounts of the Target Company for the Track Record Period. The previously issued financial statements have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by Sum, Arthur & Co., certified public accountants registered in Hong Kong in accordance with Hong Kong Standards on Auditing issued by HKICPA ("Historical Financial Statements").

The Historical Financial Information is presented in HK dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

APPENDIX III ACCOUNTANTS' REPORT OF THE TARGET COMPANY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December			Four months ended	
		2019	2020	2021	30 April	
		HK\$'000	HK\$'000	HK\$'000	2021	2022
				HK\$'000	HK\$'000	
				<i>(unaudited)</i>		
Revenue	5	90,841	54,496	68,148	17,516	36,404
Cost of sales		(5,696)	(1,762)	(4,805)	(820)	(208)
Other service costs		(44,488)	(30,624)	(38,843)	(11,723)	(13,193)
Depreciation of property, plant and equipment		<u>(59,621)</u>	<u>(59,710)</u>	<u>(57,775)</u>	<u>(19,256)</u>	<u>(19,259)</u>
Gross (loss) profit		(18,964)	(37,600)	(33,275)	(14,283)	3,744
Other income and gains and losses	6	210	491	454	412	(3,604)
Administrative expenses		(11,073)	(7,938)	(9,648)	(3,225)	(3,813)
Finance costs	7	<u>(10,635)</u>	<u>(7,765)</u>	<u>(4,439)</u>	<u>(1,536)</u>	<u>(1,536)</u>
Loss before taxation	8	(40,462)	(52,812)	(46,908)	(18,632)	(5,209)
Income tax expense	10	<u>(2,733)</u>	<u>(552)</u>	<u>(777)</u>	<u>(906)</u>	<u>(3,364)</u>
Loss and total comprehensive expense for the year		<u>(43,195)</u>	<u>(53,364)</u>	<u>(47,685)</u>	<u>(19,538)</u>	<u>(8,573)</u>

APPENDIX III ACCOUNTANTS' REPORT OF THE TARGET COMPANY

STATEMENT OF FINANCIAL POSITION

		At 31 December			At
	NOTES	2019	2020	2021	30 April
		HK\$'000	HK\$'000	HK\$'000	2022
					HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	1,553,423	1,495,074	1,437,448	1,419,321
Deposit paid for acquisition of property, plant and equipment		–	–	–	832
Other deposits		1,296	1,298	1,301	1,300
		<u>1,554,719</u>	<u>1,496,372</u>	<u>1,438,749</u>	<u>1,421,453</u>
CURRENT ASSETS					
Inventories		410	355	338	378
Trade and other receivables	14	309	223	455	23,494
Other deposits and prepayments		908	1,411	842	1,685
Amount due from a related company	18	–	1,644	9,242	–
Bank balances and cash	15	6,903	6,915	8,541	753
		<u>8,530</u>	<u>10,548</u>	<u>19,418</u>	<u>26,310</u>
CURRENT LIABILITIES					
Trade and other payables and accruals	16	7,199	5,516	4,271	5,185
Other deposits received		2,771	1,779	2,566	129
Contract liabilities	17	5,574	1,572	2,018	145
Amount due to ultimate holding company	19	351,410	–	–	–
Amount due to immediate holding company	19	80,535	–	–	–
Amount due to related companies	19	2,447	–	–	950
Amount due to a former director	19	–	437,552	435,719	432,970
		<u>449,936</u>	<u>446,419</u>	<u>444,574</u>	<u>439,379</u>
NET CURRENT LIABILITIES		<u>(441,406)</u>	<u>(435,871)</u>	<u>(425,156)</u>	<u>(413,069)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,113,313</u>	<u>1,060,501</u>	<u>1,013,593</u>	<u>1,008,384</u>
EQUITY					
Share capital	21	10	10	10	10
Retained profits		1,079,550	1,026,186	978,501	969,928
TOTAL EQUITY		<u>1,079,560</u>	<u>1,026,196</u>	<u>978,511</u>	<u>969,938</u>
NON-CURRENT LIABILITIES					
Deferred tax liabilities	20	33,753	34,305	35,082	38,446
		<u>1,113,313</u>	<u>1,060,501</u>	<u>1,013,593</u>	<u>1,008,384</u>

APPENDIX III ACCOUNTANTS' REPORT OF THE TARGET COMPANY

STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Retained profit <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2019	10	1,122,745	1,122,755
Loss for the year and total comprehensive expense for the year	<u>–</u>	<u>(43,195)</u>	<u>(43,195)</u>
At 31 December 2019	10	1,079,550	1,079,560
Loss for the year and total comprehensive expense for the year	<u>–</u>	<u>(53,364)</u>	<u>(53,364)</u>
At 31 December 2020	10	1,026,186	1,026,196
Loss for the year and total comprehensive expense for the year	<u>–</u>	<u>(47,685)</u>	<u>(47,685)</u>
At 31 December 2021	10	978,501	978,511
Loss for the period and total comprehensive expense for the period	<u>–</u>	<u>(8,573)</u>	<u>(8,573)</u>
At 30 April 2022	<u>10</u>	<u>969,928</u>	<u>969,938</u>
At 1 January 2021	10	978,501	978,511
Loss for the period and total comprehensive expense for the period	<u>–</u>	<u>(19,538)</u>	<u>(19,538)</u>
At 30 April 2021 (unaudited)	<u><u>10</u></u>	<u><u>958,963</u></u>	<u><u>958,953</u></u>

APPENDIX III ACCOUNTANTS' REPORT OF THE TARGET COMPANY

STATEMENT OF CASH FLOWS

	Year ended 31 December			Four months ended 30 April	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2021 HK\$'000	2022 HK\$'000
				<i>(unaudited)</i>	
OPERATING ACTIVITIES					
Loss before taxation	(40,462)	(52,812)	(46,908)	(18,632)	(5,209)
Adjustments for:					
Depreciation of property, plant and equipment	60,826	60,480	58,381	19,395	19,490
Interest income from bank deposits	(11)	—*	—*	—*	—*
Finance costs	10,635	7,765	4,439	1,536	1,536
Operating profit before working capital changes	30,988	15,433	15,912	2,299	15,817
(Increase) decrease in inventories	(112)	55	17	26	(40)
Decrease (increase) in trade and other receivable	304	86	(232)	(227)	(23,039)
(Increase) decrease in other deposits and prepayments	(160)	(505)	566	426	(842)
(Decrease) increase in trade and other payables and accruals	(2,478)	(1,683)	(1,245)	(2,728)	914
Increase (decrease) in other deposit received	128	(992)	787	185	(2,437)
Increase (decrease) in contract liabilities	1,783	(4,002)	446	280	(1,873)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	30,453	8,392	16,251	261	(11,500)
INVESTING ACTIVITIES					
Advance to a related company	—	(1,644)	(7,598)	(13)	—
Repayment from a related company	—	—	—	—	9,242
Acquisition of property, plant and equipment	(4,450)	(2,131)	(755)	(127)	(1,363)
Deposit paid for acquisition of property, plant and equipment	—	—	—	—	(832)
Interest received	11	—	—	—	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(4,439)	(3,775)	(8,353)	(140)	7,047
FINANCING ACTIVITIES					
Advance from ultimate holding company	168	5,355	—	—	—
Repayment to ultimate holding company	(45,000)	(6,472)	—	—	—
Advance from related company	1,367	2,001	—	—	950
Repayment to related companies	—	(4,174)	—	—	—
Repayment to a former director	—	(1,315)	(6,272)	—	(4,285)
NET CASH USED IN FINANCING ACTIVITIES	(43,465)	(4,605)	(6,272)	—	(3,335)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(17,451)	12	1,626	121	(7,788)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	24,354	6,903	6,915	6,915	8,541
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	6,903	6,915	8,541	7,036	753
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	6,903	6,915	8,541	7,036	753

* Less than HK\$'000

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL INFORMATION**

Ocean Time Investments Limited (the "Target Company") is a company incorporated in Hong Kong with limited liability. The Target Company's immediate holding company is Crest Incorporated and ultimate holding company is Lafa Yette Hotel Limited. The Target Company's registered office and principal address of business operation are Unit B, 18/F, Mongkok Commercial Centre, 16 Argyle Street, Kowloon and 123 Castle Peak Road, Ting Kau, Tsuen Wan, Hong Kong respectively. The principal activity of the Target Company is the operation of hotel business in Hong Kong.

The Historical Financial Information is presented in Hong Kong dollar ("HK\$"), which is also the functional currency of the Target Company.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information does not constitute the Target Company's statutory annual financial statements for any of the financial years ended 31 December 2019, 2020 and 2021. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As the Target Company is a private company, the Target Company is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Target Company's auditor has reported on these financial statements for all three years ended 31 December 2019, 2020 and 2021. The independent auditor's report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

In preparing the financial statements, the directors of the Target Company have given careful consideration to the future liquidity of the Target Company in light of the fact that the Target Company's current liabilities exceeded its current assets by HK\$412,237,000 as at 30 April 2022. In the opinion of the directors, the Target Company has a number of sources of finance available to fund its operations, including internal resources. The ultimate holding company, immediate holding company, related companies and the former director has also agreed not to demand for repayment until the Target Company has the financial ability to do so. Accordingly, the financial statements have been prepared in conformity with principles applicable to a going concern basis because:

- Management performed the going concern assessment, including the evaluation of the on-going impact of Coronavirus disease 2019 ("Covid-19") on the Target Company, the Target Company's access to available sources of liquidity;
- The Company agreed to provide adequate funds to enable the Target Company to meet in full its financial obligations as they fall due for the foreseeable future.

Based on management's budget and the latest available financial information of the Target Company, the directors are satisfied that the Target Company will have sufficient financial resources to meet in full its financial obligations as and when they fall due for at least the next twelve months from 30 April 2022. Accordingly, the Historical Financial Information have been prepared on a going concern basis.

APPENDIX III ACCOUNTANTS' REPORT OF THE TARGET COMPANY

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Target Company has consistently applied the accounting policies which conform with HKFRSs, which are effective for the accounting period beginning on 1 January 2022 throughout the Track Record Period.

New and amendments to HKFRSs in issue but not yet effective

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

The directors of the Target Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 Target Company 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. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases" and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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 from contracts with customers

The Target Company 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Target Company’s performance as the Target Company performs;
- the Target Company’s performance creates or enhances an asset that the customer controls as the Target Company performs; or
- the Target Company’s performance does not create an asset with an alternative use to the Target Company and the Target Company has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Target Company’s obligation to transfer goods or services to a customer for which the Target Company has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation***Output method***

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Target Company’s performance in transferring control of goods or services.

Property, plant and equipment

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

When the Target Company makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

When an investment property is transfer to property, plant and equipment evidenced by commencement of owner-occupation, the cost of the property as a property, plant and equipment is recognised according to the fair value of such property at the change of use.

Depreciation is recognised so as to write off the cost of assets over their useful lives, using the straight-line method. The estimated useful lives 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 method. Net realisable value represents the estimated selling price for inventories less the estimated costs necessary to make the sale.

Impairment on property, plant and equipment

At the end of the reporting period, the Target Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amounts of property, plant and equipment are estimated individually. When it is not possible to estimate the recoverable amounts individually, the Target Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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 (or a cash generating unit) 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 or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when the Target Company becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15"). 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points 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 financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which is derived from the Target Company is presented as other income.

Financial assets*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Target Company performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, other deposits, amount due from a related company and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Target Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Company always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively for debtors based on the Target Company’s internal credit rating with appropriate groupings.

For all other instruments, the Target Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Target Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;

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- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Company has reasonable and supportable information that demonstrates otherwise.

The Target Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Target Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company, in full (without taking into account any collaterals held by the Target Company).

Irrespective of the above, the Target Company considers that default has occurred when a financial asset is more than 90 days past due unless the Target Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Target Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Target Company's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and the cash flows that the Target Company expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Target Company takes into consideration the following characteristics when formulating the grouping:

- Nature of financial instruments (i.e. the Target Company's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Target Company recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments 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 Target Company after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, rental and other deposits and amounts due to ultimate/immediate holding companies/related companies and a former director) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

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 loss before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Company'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 statements 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of 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 profits 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 Target Company 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 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

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.

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In assessing any uncertainty over income tax treatments, the Target Company considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by the Target Company in its income tax filings. If it is probable the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Borrowing costs

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Target Company will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Company with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income and gains".

Retirement benefit costs

Payments to the Target Company's Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRSs require or permit the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

5. REVENUE

Revenue represents the aggregate of income from operation of hotel, and are analysed as follows:

	Year ended 31 December			Four months ended	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2021 HK\$'000 (unaudited)	2022 HK\$'000
Income from operation of hotel	90,841	54,496	68,148	17,516	36,404
Types of goods or services (time of revenue recognition):					
Room revenue and other ancillary services (recognised over time)	77,127	49,268	57,454	15,676	35,869
Food and beverage (recognised at a point in time)	13,714	5,228	10,694	1,840	535
	<u>90,841</u>	<u>54,496</u>	<u>68,148</u>	<u>17,516</u>	<u>36,404</u>

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The total amounts of revenue are generated in Hong Kong. There was no revenue from customers of the years ended 31 December 2019, 2020 and 2021 and the period ended 30 April 2021 contributing over 10% of the total revenue of the Target Company apart from that, there was over 10% of revenue for the period ended 30 April 2022 of the Target Company was contributed from a customer related to the contract for provision of hotel facilities as community isolation facility. During the period ended 30 April 2022, HK\$21,216,000 is contributed from the customer.

The directors of the Target Company are of the opinion that the income from operation of hotel is for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

Revenue from room and other ancillary services are recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Target Company's performance as the Target Company performs.

Revenue from hotel food and beverage sales is recognised at a point in time when the food and beverage are served.

6. OTHER INCOME AND GAINS AND LOSSES

	Year ended 31 December			Four months ended 30 April	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2021 HK\$'000	2022 HK\$'000
				<i>(unaudited)</i>	
Other income and gains and losses comprise:					
Subsidy from					
Anti-Epidemic Fund	–	400	400	400	1,000
Interest income from bank deposits	11	–*	–*	–*	–*
Compensation fee <i>(note a)</i>	–	–	–	–	(4,622)
Others	199	91	54	12	18
	<u>210</u>	<u>491</u>	<u>454</u>	<u>412</u>	<u>(3,604)</u>

Notes:

- (a) The amount represents the compensation paid to the guests on early termination of their stay period due to the participation of Community Isolation Facility Hotel Scheme.
- (b) For the year ended 31 December 2020, there is Employment Support Scheme funds of HK\$4,140,000 provided, which set off the relevant salary expenses.
- * Less than HK\$1,000

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7. FINANCE COSTS

	Year ended 31 December			Four months ended 30 April	
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2021 <i>HK\$'000</i> <i>(unaudited)</i>	2022 <i>HK\$'000</i>
Interest expenses on an amount due to ultimate holding company (note 19)	10,635	–	–	–	–
Interest expenses on an amount due to former director (note 19)	–	7,765	4,439	1,536	1,536
	<u>10,635</u>	<u>7,765</u>	<u>4,439</u>	<u>1,536</u>	<u>1,536</u>

8. LOSS BEFORE TAXATION

	Year ended 31 December			Four months ended 30 April	
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2021 <i>HK\$'000</i> <i>(unaudited)</i>	2022 <i>HK\$'000</i>
Loss before taxation has been arrived at after charging:					
Depreciation of property, plant and equipment	65,146	60,480	58,381	19,395	19,490
Auditors' remuneration	59	59	59	–	–
Staff costs (including directors' emoluments)					
Salaries, wages and other benefits	23,028	14,832	22,880	7,627	8,040
Retirement benefits	954	900	969	316	325
	<u>954</u>	<u>900</u>	<u>969</u>	<u>316</u>	<u>325</u>

9. DIRECTORS' REMUNERATION

No emoluments were paid by the Target Company to the directors for their services rendered to the Target Company during the Track Record Period. The directors' remuneration is borne by the group companies. The directors are of the opinion that the services provided to the Target Company only occupy an insignificant amount of their time and therefore it is concluded that the directors are not remunerated for such services.

10. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Target Company does not have estimated assessable profits arising in Hong Kong during the Track Record Period. The income tax expense for the years and periods represents the deferred tax for tax losses and reversal of temporary differences (note 20).

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Income tax expense for the year/period can be reconciled to loss before taxation as follows:

	Year ended 31 December			Four months ended 30 April	
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2021 <i>HK\$'000</i> <i>(unaudited)</i>	2022 <i>HK\$'000</i>
Loss before taxation	(40,462)	(52,812)	(46,908)	(18,632)	(5,209)
Tax at the Hong Kong					
Profits Tax rate at 16.5%	(6,676)	(8,714)	(7,740)	(3,074)	(859)
Tax effect of income not taxable for tax purpose	(2)	(66)	(749)	–	(165)
Tax effect of expenses not deductible for tax purpose	9,411	9,332	9,266	3,980	4,388
Income tax expense	2,733	552	777	906	3,364

11. DIVIDEND

No dividend was paid or proposed by the directors for ordinary shareholders of the Target Company during the Track Record Period, nor has any dividend been proposed since the end of the reporting period.

12. LOSS PER SHARE

No loss per share information during the Track Record Period is presented for the purpose of this report as its inclusion is not considered meaningful to the Target Company.

13. PROPERTY, PLANT AND EQUIPMENT

	Hotel property <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST			
At 1 January 2019	1,691,772	3,626	1,695,398
Additions	3,453	997	4,450
At 31 December 2019	1,695,225	4,623	1,699,848
Additions	1,903	228	2,131
At 31 December 2020	1,697,128	4,851	1,701,979
Additions	–	755	755
At 31 December 2021	1,697,128	5,606	1,702,734
Additions	–	1,363	1,363
At 30 April 2022	1,697,128	6,969	1,704,097

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	Hotel property HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
ACCUMULATED DEPRECIATION			
At 1 January 2019	84,659	940	85,599
Depreciation for the year	<u>59,201</u>	<u>1,625</u>	<u>60,826</u>
At 31 December 2019	143,860	2,565	146,425
Depreciation for the year	<u>59,296</u>	<u>1,184</u>	<u>60,480</u>
At 31 December 2020	203,156	3,749	206,905
Depreciation for the year	<u>57,701</u>	<u>680</u>	<u>58,381</u>
At 31 December 2021	260,857	4,429	265,286
Depreciation for the period	<u>19,234</u>	<u>256</u>	<u>19,490</u>
At 30 April 2022	<u>280,091</u>	<u>4,685</u>	<u>284,776</u>
NET CARRYING AMOUNT			
At 31 December 2019	<u>1,551,365</u>	<u>2,058</u>	<u>1,553,423</u>
At 31 December 2020	<u>1,493,972</u>	<u>1,102</u>	<u>1,495,074</u>
At 31 December 2021	<u>1,436,271</u>	<u>1,177</u>	<u>1,437,448</u>
At 30 April 2022	<u>1,417,037</u>	<u>2,284</u>	<u>1,419,321</u>

The Hotel Property is situated on land in Hong Kong including leasehold land, leasehold improvement and building element which the allocation cannot be measured reliably, and the leasehold interests in land are accounted for as property, plant and equipment.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Hotel property	50 years or over the remaining term of land lease, whichever is shorter
Leasehold improvement	5 years or over the remaining term of land lease, whichever is shorter
Furniture, fixtures and equipment	4% – 20%

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14. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 April
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables from contracts with customers	292	204	365	23,333
Other receivables	17	19	90	161
	309	223	455	23,494
	309	223	455	23,494

As at 1 January 2019, trade receivables from contracts with customers amounted to HK\$604,000.

Except for a credit period of 30 days granted to travel agencies and certain customers of the hotel, the Target Company does not allow any credit period to customers.

The following is an aged analysis of the Target Company's trade receivables from contracts with customers presented based on the invoice date at the end of the reporting period:

	At 31 December			At 30 April
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	292	204	365	23,333
	292	204	365	23,333
	292	204	365	23,333

Details of impairment assessment of trade receivables from contracts with customers and other receivables are set out in note 26.

No credit loss allowance has been recognised on to the trade receivables as the directors consider that the amounts are neither past due nor impaired.

15. BANK BALANCES AND CASH

Bank balances carry interest at prevailing deposit interest rates is 0.01% per annum for the Track Record Period.

Details of impairment assessment of bank balances are set out in note 26.

16. TRADE AND OTHER PAYABLES AND ACCRUALS

	At 31 December			At 30 April
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	1,266	1,100	901	1,093
Other payables and accruals	5,933	4,416	3,370	4,092
	7,199	5,516	4,271	5,185
	7,199	5,516	4,271	5,185

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

	At 31 December			At 30 April
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	1,266	1,100	901	1,093
	1,266	1,100	901	1,093
	1,266	1,100	901	1,093

The credit period on purchase of goods is up to 30 days. The Target Company has financial risk management policies in place to ensure that all payables within credit time frame.

APPENDIX III ACCOUNTANTS' REPORT OF THE TARGET COMPANY

17. CONTRACT LIABILITIES

	At 31 December		At 30 April	
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Receipt in advance	5,574	1,572	2,018	145

As at 1 January 2019, contract liabilities amounted to HK\$3,791,000.

Contract liabilities of the Target Company, which are expected to be settled within the Target Company's normal operating cycle, are classified as current.

Revenue from hotel operation recognised during the years ended 31 December 2019, 2020 and 2021 and period ended 30 April 2022, that was included in the contract liabilities at the beginning of the year was HK\$3,791,000, HK\$5,574,000, HK\$1,572,000 and HK\$2,018,000 respectively.

The Target Company recognises revenue from hotel operation when related performance obligation is satisfied. Contract liabilities represents receipt in advance from hotel guests. As at 30 April 2022, the Target Company has participated as community isolation facilities, which do not receive deposit in advance from hotel guests.

18. AMOUNT DUE FROM A RELATED COMPANY

The amount due from a related company is unsecured, interest free and repayable on demand.

19. AMOUNT DUE TO ULTIMATE HOLDING COMPANY, IMMEDIATE HOLDING COMPANY, RELATED COMPANIES AND A FORMER DIRECTOR

As at 31 December 2019, the amount due to immediate holding company and related companies are unsecured, interest free and do not have fixed repayment terms, while the amount due to the ultimate holding company is unsecured, bearing interest at average rate of 2.97% per annum and repayable on demand.

In accordance with the deed of assignment, assumption and novation agreement made on 21 September 2020, the amounts due to ultimate holding company, immediate holding company and related companies has been transferred to amount due to a former director Mr. Tang Shing Bor ("Mr. Tang"). The amount due to a former director is unsecured and repayable on demand.

The amount due to a former director is partly interest free and partly bears interest at average rate of 2.20%, 1.21% and 1.31% per annum for the years ended 31 December 2020 and 2021 and period ended 30 April 2022 respectively.

20. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities (asset) recognised and movements thereon during the current and prior reporting periods:

	Depreciation allowances <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019	41,241	(10,221)	31,020
Charge to statement of comprehensive income (note 11)	1,258	1,475	2,733
At 31 December 2019	42,499	(8,746)	33,753
Charge (credit) to statement of comprehensive income (note 11)	1,793	(1,241)	552

APPENDIX III ACCOUNTANTS' REPORT OF THE TARGET COMPANY

	Depreciation allowances <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2020	44,292	(9,987)	34,305
Charge (credit) to statement of comprehensive income (<i>note 11</i>)	2,082	(1,305)	777
At 31 December 2021	46,374	(11,292)	35,082
Charge to statement of comprehensive income (<i>note 11</i>)	871	2,493	3,364
At 30 April 2022	47,245	(8,799)	38,446

21. SHARE CAPITAL

	Number of shares <i>'000</i>	Amount <i>HK\$'000</i>
Ordinary shares		
Issued and fully paid:		
At 1 January 2019, 31 December 2019, 2020 and 2021 and 30 April 2022	10	10

22. PLEDGE OF ASSETS

At the end of the reporting period, the banking facilities granted to the ultimate holding company were secured by the following items:

- (a) Hotel Property of the Target Company with net carrying amount of HK\$1,551,365,000, HK\$1,493,972,000, HK\$1,436,271,000 and HK\$1,417,037,000 as at 31 December 2019, 2020 and 2021 and 30 April 2022, respectively; and
- (b) Assignment of room revenue arising from the Hotel Property.

The Hotel Property was also mortgaged to a related company.

23. RETIREMENT BENEFIT PLAN

The Target Company participates the Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Target Company in funds under the control of trustees. The Target Company contributes 5% of relevant payroll costs capped at HK\$1,500 per month for the Track Record Period of each individual employee to the scheme, which contribution is matched by employees.

The contributions paid and payable to the Mandatory Provident Fund Scheme by the Target Company in respect of the year/period which were charged to profit or loss amounting to HK\$954,000, HK\$900,000, HK\$969,000, HK\$316,000 and HK\$325,000 for the year ended 31 December 2019, 2020 and 2021 and period ended 30 April 2021 and 2022 respectively.

The Target Company's contributions to the MPF Scheme for its employees are fully and immediately vested in the employees once the contributions are made. Accordingly, there are no forfeited contributions under the MPF Scheme that may be used by the Group to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 to the Listing Rules.

APPENDIX III ACCOUNTANTS' REPORT OF THE TARGET COMPANY

24. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances disclosed elsewhere in these financial statements and note 22, the Target Company had the following transactions with a related company at the end of the reporting period:

	At 31 December			At 30 April	
	2019	2020	2021	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Transactions during the year/period:					
Management fees paid to SG Hotel Group Limited	7,890	4,580	4,015	1,257	1,739
	<u>7,890</u>	<u>4,580</u>	<u>4,015</u>	<u>1,257</u>	<u>1,739</u>

SG Hotel Group Limited is a related company which is controlled by Mr Tang.

25. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that the Target Company 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 Target Company's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Target Company consists of net debts, which include amounts due to ultimate/immediate holding company, amounts due to related companies and amount due to a former director, and equity attributable to owners of the Target Company, comprising issued share capital and retained profits as disclosed in the statement of changes in equity.

The management of the Target Company reviews the capital structure periodically. As a part of this review, the management of the Target Company considers the cost of capital and the risks associated with each class of capital. The Target Company will balance its overall capital structure through the issue of new debt or the redemption of existing debts.

There are no significant changes on the Target Company's approach to capital risk management throughout the Track Record Period.

26. FINANCIAL INSTRUMENTS

(i) Categories of financial instruments

	At 31 December			At 30 April
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Financial assets</i>				
Amortised cost	8,425	10,039	19,464	25,457
	<u>8,425</u>	<u>10,039</u>	<u>19,464</u>	<u>25,457</u>
<i>Financial liabilities</i>				
Amortised cost	443,226	443,747	441,470	437,889
	<u>443,226</u>	<u>443,747</u>	<u>441,470</u>	<u>437,889</u>

(ii) Financial risk management objectives and policies

The Target Company's financial instruments include trade and other receivables, other deposits, amount due from a related company, bank balances and cash, trade and other payables, rental and other deposits, amounts due to ultimate holding company, immediate holding company, related companies and a former director. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Target Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

APPENDIX III ACCOUNTANTS' REPORT OF THE TARGET COMPANY

(a) Credit risk and impairment assessment

Credit risk refers to the risk that the Target Company's counterparties default on their contractual obligations resulting in financial losses to the Target Company. The Target Company's credit risk exposures are primarily attributable to trade and other receivables, other deposits, amount due from a related company and bank balances. The Target Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Target Company's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
<u>Low risk</u>	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
<u>Watch list</u>	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
<u>Doubtful</u>	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
<u>Loss</u>	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
<u>Write-off</u>	There is evidence indicating that the debtor is in severe financial difficulty and the Target Company has no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Target Company's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount			
					31 December 2019	31 December 2020	30 April 2021	30 April 2022
					HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at amortised cost								
Trade receivables from contracts with customers	14	N/A	Low risk	Lifetime ECL	292	204	365	23,333
Other receivables	14	N/A	Low risk	12m ECL	17	19	90	161
Other deposit	N/A	N/A	Low risk	12m ECL	1,296	1,340	1,329	1,313
Amount due from a related company	18	N/A	Low risk	12m ECL	–	1,644	9,242	–
Bank balances	15	A3 to Aa3	N/A	12m ECL	6,820	6,832	8,438	650

Trade receivables from contracts with customers

Before accepting any new customer, the Target Company has assessed the potential customer's credit quality and defined credit rating limits. The Target Company has no significant concentration of credit risk on trade receivables from contracts with customers which are credit card companies, with exposure spread over a number of counterparties and customers as at 31 December 2019, 2020 and 2021. The Target Company has significant concentration of credit risk on trade receivables from contracts with customer which the customer is the government which the ECL is negligible.

The Target Company performs impairment assessment under ECL model on trade balances. The trade receivables from contracts with customers are grouped, based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for new customers.

As part of the Target Company's credit risk management, the Target Company used an internal credit rating by assigning loss rates to its debtors. The estimated loss rates are based on aging of trade debtors as well as historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

For the Track Record Period, the Target Company assessed the balance of ECL for trade receivables were insignificant and thus no loss allowance for impairment was recognised.

Other receivables and other deposits

For other receivables and other deposits, the directors make periodic assessment on the recoverability of other receivables and other deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Target Company provided impairment based on 12m ECL.

For the Track Record Period, the Target Company assessed the ECL for other receivables and other deposits were insignificant and thus no loss allowance was recognised.

Amount due from a related company

For amount due from a related company (which is controlled by Mr Tang), the directors of the Target Company consider the credit risk exposure is remote taking into account the excess of the market value over the mortgage amount of the various residential properties owned by Mr Tang. Accordingly, no ECL is provided on the amount.

Bank balances

Credit risk on bank balances is limited because the counterparty is reputable bank with high credit rating assigned by international credit agencies. The Target Company assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

APPENDIX III ACCOUNTANTS' REPORT OF THE TARGET COMPANY

(b) *Liquidity risk management*

In the management of the liquidity risk, the Target Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Target Company's remaining contractual maturity for its financial liabilities. The table has drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<u>2019 December</u>				
Non-interest bearing	–	91,816	91,816	91,816
Amount due to ultimate holding company	2.97	351,410	351,410	351,410
		<u>443,226</u>	<u>443,226</u>	<u>443,226</u>
<u>2020 December</u>				
Non-interest bearing	–	87,361	87,361	87,361
Amount due to a former director	2.20	356,386	356,386	356,386
		<u>443,747</u>	<u>443,747</u>	<u>443,747</u>
<u>2021 December</u>				
Non-interest bearing	–	85,060	85,060	85,060
Amount due to a former director	1.21	356,410	356,410	356,410
		<u>441,470</u>	<u>441,470</u>	<u>441,470</u>
<u>2022 April</u>				
Non-interest bearing	–	87,743	87,743	87,743
Amount due to a former director	1.31	350,146	350,146	350,146
		<u>437,889</u>	<u>437,889</u>	<u>437,889</u>

(c) *Fair values of financial instruments*

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

APPENDIX III ACCOUNTANTS' REPORT OF THE TARGET COMPANY

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Company's statement of cash flows as cash flows from financing activities.

	Amount due to ultimate holding company <i>HK\$'000</i>	Amount due to immediate holding company <i>HK\$'000</i>	Amount due to related companies <i>HK\$'000</i>	Amount due to a former director <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019	385,607	80,535	1,080	–	467,222
Financing cash inflows	–	–	1,367	–	1,367
Financing cash outflows	(44,832)	–	–	–	(44,832)
Interest expenses	10,635	–	–	–	10,635
	<u>385,607</u>	<u>80,535</u>	<u>1,080</u>	<u>–</u>	<u>467,222</u>
At 31 December 2019	351,410	80,535	2,447	–	434,392
Financing cash outflows	(1,117)	–	(2,173)	(1,315)	(4,605)
Transfer	(356,765)	(80,535)	(274)	437,574	–
Interest expenses	6,472	–	–	1,293	7,765
	<u>351,410</u>	<u>80,535</u>	<u>2,447</u>	<u>–</u>	<u>434,392</u>
At 31 December 2020	–	–	–	437,552	437,552
Financing cash outflows	–	–	–	(6,272)	(6,272)
Interest expenses	–	–	–	4,439	4,439
	<u>–</u>	<u>–</u>	<u>–</u>	<u>437,552</u>	<u>437,552</u>
At 31 December 2021	–	–	–	435,719	435,719
Financing cash inflows	–	–	950	–	950
Financing cash outflows	–	–	–	(4,285)	(4,285)
Interest expenses	–	–	–	1,536	1,536
	<u>–</u>	<u>–</u>	<u>950</u>	<u>435,719</u>	<u>436,665</u>
	<u>–</u>	<u>–</u>	<u>950</u>	<u>432,970</u>	<u>433,920</u>

28. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company has been prepared in respect of any period subsequent to the end of the Track Record Period.

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

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF SHUN HO HOLDINGS LIMITED AND ITS SUBSIDIARIES (HEREINAFTER COLLECTIVELY REFERRED TO AS THE “GROUP”) INCLUDING OCEAN TIME INVESTMENTS LIMITED (REFERRED TO AS THE “TARGET COMPANY”) (HEREINAFTER REFERRED TO AS THE “ENLARGED GROUP”)

In connection with the proposed acquisition of the entire issued share capital of the Ocean Time Investments Limited (the “**Target Company**”) by Shun Ho Construction (Holdings) Limited (the “**Purchaser**”), an indirectly non-wholly owned subsidiary of the Company and the assignment of the loan owing by the Target Company to Crest Incorporated (the “**Vendor**”), as at completion (the “**Completion**”) of the acquisition (the “**Sale Loan**”) to the Purchaser under the sale and purchase agreement dated 11 May 2022 entered into between the Vendor, the Purchaser and Mr. Tang Yiu Sing (“**Mr. Tang**”) (the “**Sale and Purchase Agreement**”) (the “**Acquisition**”), the unaudited pro forma financial information of the Enlarged Group has been prepared by the directors of the Company (the “**Directors**”) 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**”) to illustrate the effect of the Acquisition on the Group’s financial position as at 31 December 2021 and on the Group’s financial performance and cash flows for the year ended 31 December 2021 as if the Acquisition had taken place at 31 December 2021 and 1 January 2021, respectively.

The unaudited pro forma consolidated statement of financial position as at 31 December 2021 and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flow for the year ended 31 December 2021 and related notes (hereinafter collectively referred to as the “**Unaudited Pro Forma Financial Information**”) of the Enlarged Group are prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2021 and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows for the year ended 31 December 2021 as extracted from the published annual report of the Company for the year ended 31 December 2021; (ii) the statement of financial position of the Target Company as at 30 April 2022, the statement of profit or loss and other comprehensive income and the statement of cash flows of the Target Company for the year ended 31 December 2021 as extracted from the accountants’ report as set out in Appendix III to this Circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the proposed Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable, is summarised in the accompanying notes.

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

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the Directors based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, the Unaudited Pro Forma Financial Information of the Enlarged Group may not purport to predict what the financial performance and cash flows or financial position of the Enlarged Group would have been if the Acquisition had been completed on 1 January 2021, or 31 December 2021 nor in any future period or on any future dates.

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

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

**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021**

	The Group	Pro forma adjustments		Pro forma total for the Enlarged Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	<i>Note 4</i>
NON-CURRENT ASSETS				
Property, plant and equipment	3,944,647	1,419,321	(13,636)	5,350,332
Right-of-use asset	27,657			27,657
Investment properties	4,787,605			4,787,605
Deposit paid for acquisition of investment properties	5,500			5,500
Deposits paid for acquisition of property, plant and equipment	–	832		832
Other deposits	–	1,300		1,300
Equity instruments at fair value through other comprehensive income	1,308			1,308
	<u>8,766,717</u>			<u>10,174,534</u>
CURRENT ASSETS				
Inventories	1,316	378		1,694
Financial assets at fair value through profit or loss	12,450			12,450
Trade and other receivables	11,961	23,494		35,455
Other deposits and prepayments	12,431	1,685		14,116
Bank balances and cash	262,453	753	(262,453)	753
	<u>300,611</u>			<u>64,468</u>
CURRENT LIABILITIES				
Trade and other payables and accruals	40,841	5,185	1,127,769	2,360
Rental and other deposits received	18,183	129		18,312
Contract liabilities	34,681	145		34,826
Amount due to ultimate holding company	40,070			40,070
Amount due to shareholder	5,088			5,088
Amount due to related companies	–	950	(950)	–
Amount due to a former director	–	432,970	(432,970)	–
Tax liabilities	5,120			5,120
Bank loans	738,408			738,408
	<u>882,391</u>			<u>2,017,979</u>
NET CURRENT LIABILITIES	<u>(581,780)</u>			<u>(1,953,511)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>8,184,937</u>			<u>8,221,023</u>
CAPITAL AND RESERVES				
Share capital	172,252	10	(10)	172,252
Share premium and reserves	3,864,005	969,928	(969,928)	(1,110)
	<u>4,036,257</u>			<u>4,035,147</u>
Equity attributable to owners of the Company	4,036,257			4,035,147
Non-controlling interests	3,965,408			(1,250)
	<u>8,001,665</u>			<u>7,999,305</u>
NON-CURRENT LIABILITIES				
Rental deposits received	21,146			21,146
Deferred tax liabilities	162,126	38,446		200,572
	<u>183,272</u>			<u>221,718</u>
	<u>8,184,937</u>			<u>8,221,023</u>

**NOTES TO THE PRO FORMA FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. The amounts are extracted from the audited consolidated financial statements of the Group as at the year ended 31 December 2021 as set out in the annual report of the Company for the year ended 31 December 2021.
2. The adjustment also represents the recognition of the assets and liabilities of the Target Company as at 30 April 2022 assuming the Acquisition had taken place on 31 December 2021. The assets and liabilities of the Target Company are extracted from the accountants' report of the Target Company set out in Appendix II to this circular.
3. The Target Company principally holds a hotel property in Hong Kong and does not carry out any other active business operations. Under Hong Kong Financial Reporting Standard 3 (revised) "Business Combinations" ("HKFRS 3") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the acquisition method does not apply to a situation where the acquisition of an asset or a group of assets does not constitute a business assessed under the optional concentration test. Accordingly, the acquisition of the Target Company (the "Acquisition") is not considered as a business combination. In accordance with HKFRS 3, the consideration shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the completion of the Acquisition and such a transaction does not give rise to goodwill.

The adjustment represents (1) the Acquisition at an estimated consideration of HK\$1,420,695,000; and (2) the stamp duty amounting to HK\$3,694,000, which is directly attributable cost of the Acquisition.

Pursuant to the Sale and Purchase Agreement, the cash consideration payable by the Purchaser is HK\$1,420,695,000 subject to adjustment plus the net assets value including utilities deposits or minus the net assets value including the amounts of the sale loan, deferred tax liabilities, the estate loan payable and any liabilities of the Target Company arising from the existing mortgage of the Target Company as at the date of completion of the Acquisition (the "**Completion Date**"). The downward adjustment on the consideration would be approximately HK\$34,167,000 including utility deposit and deferred tax liability of the Target Company as at 30 April 2022, assuming the Acquisition had taken place on 31 December 2021. The final consideration is subject to adjustments and the maximum consideration expected to be payable by the purchaser after adjustment would not exceed HK\$1,440,000,000.

In the opinion of the Directors, the Group will settle the adjusted consideration and the stamp duty of HK\$1,390,222,000 by bank balances and cash of HK\$262,453,000 and the remaining portion of HK\$1,127,769,000 and the estimated transaction costs attributable to the Acquisition of approximately HK\$2,360,000 will be settled in full by utilising the existing available banking facilities.

The adjustment also represents the elimination on amounts due to related companies and amounts due to a former director by the Target Company as at 30 April 2022 assuming the Acquisition had taken place on 31 December 2021, pursuant to the Sale and Purchase Agreement, the aggregate amount of the outstanding owing by the Target Company to the Vendor as at the Completion will be assigned from the Vendor to the Purchaser at the Completion.

4. The adjustment represents the estimated transaction costs attributable to the Acquisition of approximately HK\$2,360,000.

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

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	The Group	Pro forma adjustments			Pro forma Enlarged Group
	<i>HK\$'000</i> <i>Note 5</i>	<i>HK\$'000</i> <i>Note 6</i>	<i>HK\$'000</i> <i>Note 7</i>	<i>HK\$'000</i> <i>Note 8</i>	<i>HK\$'000</i>
Revenue					
Contracts with customers	346,416	68,148			414,564
Leases	167,993				167,993
Total Revenue	514,409				582,557
Cost of sales	(45,209)	(4,805)			(50,014)
Other service costs	(194,079)	(38,843)			(232,922)
Depreciation of property, plant and equipment	(101,823)	(57,775)			(159,598)
Depreciation of right-of-use asset	(880)				(880)
Gross profit	172,418				139,143
Net decrease in fair value of investment properties	(5,200)				(5,200)
Other income and gains and losses	760	454			1,214
Administrative expenses					
– Depreciation	(4,288)				(4,288)
– Others	(45,509)	(9,648)			(57,517)
	(49,797)	(9,648)		(2,360)	(61,805)
Finance costs	(9,774)	(4,439)	4,439	(2,360)	(9,774)
Profit before taxation	108,407				63,578
Income tax expense	(28,770)	(777)			(29,547)
Profit for the year	79,637	(47,685)	4,439	(2,360)	34,031
Other comprehensive expense					
Items that may subsequently be reclassified to profit or loss					
Exchange differences arising on translation of foreign operations	(3,767)				(3,767)
Items that will not be reclassified to profit or loss					
Fair value loss on equity instrument at fair value through other comprehensive income	(280)				(280)
Other comprehensive expense for the year	(4,047)				(4,047)
Total comprehensive income for the year	75,590	(47,685)	4,439	(2,360)	29,984
Profit for the year attributable to:					
Owners of the Company	30,413	(22,435)	2,088	(1,110)	8,956
Non-controlling interests	49,224	(25,250)	2,351	(1,250)	25,075
	79,637	(47,685)	4,439	(2,360)	34,031
Total comprehensive income attributable to:					
Owners of the Company	28,622	(22,435)	2,088	(1,110)	7,165
Non-controlling interests	46,968	(25,250)	2,351	(1,250)	22,819
	75,590	(47,685)	4,439	(2,360)	29,984

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

**NOTES TO THE PRO FORMA FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021**

5. The amounts are extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2021 as set out in the annual report of the Company for the year ended 31 December 2021.
6. The adjustment represents the inclusion of the financial performance of the Target Company for the year ended 31 December 2021 and the reclassification of the profit or loss and total net comprehensive expenses attributable to the non-controlling interest to the owners of the Company assuming the Acquisition had taken place on 1 January 2021. The financial performance of the Target Company are extracted from the accountants' report of the Target Company for the year ended 31 December 2021 set out in Appendix II to this circular.
7. The adjustment represents the elimination on the related finance costs arisen from the amount due to ultimate holding company for the year ended 31 December 2021 assuming the Acquisition had taken place on 1 January 2021.
8. The adjustment represents the estimated transaction costs attributable to the Acquisition of approximately HK\$2,360,000 and is not expected to have a continuing effect on the Enlarged Group.

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

**PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	The Group	Pro forma adjustments		Pro forma Enlarged Group	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
	<i>Note 9</i>	<i>Note 10</i>	<i>Note 11</i>	<i>Note 12</i>	
OPERATING ACTIVITIES					
Profit before taxation	108,407	(46,908)	4,439	(2,360)	63,578
Adjustment for:					
Interest income from bank deposits	(560)				(560)
Finance costs	9,774	4,439	(4,439)		9,774
Net decrease in fair value of investment properties	5,200				5,200
Gain on disposal of property, plant and equipment	(707)				(707)
Loss on fair value changes of financial assets at fair value through profit & loss ("FVTPL")	66				66
Depreciation of property, plant and equipment	106,111	58,381			164,492
Depreciation of right-of-use asset	880				880
	<hr/>				<hr/>
Operating cash flows before movements in working capital	229,171				242,723
Increase in inventories	(113)	17			(96)
Decrease in trade and other receivables	1,069	(232)			837
Decrease in other deposits and prepayments	4,880	566			5,446
Increase in trade and other payables and accruals	4,903	(1,245)			3,658
Decrease in rental and other deposits received	(2,811)	787			(2,024)
Increase in contracted liabilities	11,759	446			12,205
	<hr/>				<hr/>
Cash generated from operations	248,858				262,749
Hong Kong Profits Tax paid	(21,079)				(21,079)
Income tax paid in other jurisdiction	(11,744)				(11,744)
	<hr/>				<hr/>
NET CASH FROM OPERATING ACTIVITIES	216,035				229,926
	<hr/>				<hr/>
INVESTING ACTIVITIES					
Deposit paid for acquisition of investment properties	(5,500)				(5,500)
Acquisition of financial assets at FVTPL	(13,552)				(13,552)
Proceeds from disposal of financial assets at FVTPL	1,036				1,036
Net cash outflow on acquisition of subsidiary	-	-		(171,554)	(171,554)
Advance to a related company	-	(7,598)		7,598	-
Acquisition of property, plant and equipment	(15,797)	(755)			(16,552)
Proceed from disposal of property, plant and equipment	2,050				2,050
Interest received	560				560
	<hr/>				<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(31,203)				(203,512)
	<hr/>				<hr/>
FINANCING ACTIVITIES					
Interest paid	(7,809)	(4,439)	4,439		(7,809)
Repayment to a former director	-	(1,833)		1,833	-
Repayments of bank loans	(101,776)				(101,776)
New bank loan raised	25,000				25,000
Repayment to ultimate holding company	(15,638)				(15,638)
Acquisition of additional interest in a subsidiary	(11,653)				(11,653)
Proceeds from disposal of partial interest in a subsidiary	13,050				13,050
	<hr/>				<hr/>

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

	The Group <i>HK\$'000</i> <i>Note 9</i>	Pro forma adjustments <i>HK\$'000 HK\$'000 HK\$'000</i> <i>Note 10 Note 11 Note 12</i>			Pro forma Enlarged Group <i>HK\$'000</i>
NET CASH USED IN FINANCING ACTIVITIES	<u>(98,826)</u>				<u>(98,826)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	86,006	1,626	4,439	(164,483)	(72,412)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	178,469				178,469
Effect of foreign exchange rate changes	<u>(2,022)</u>				<u>(2,022)</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2021	<u><u>262,453</u></u>				<u><u>104,035</u></u>
Analysis of the bank balances of cash and cash equivalents					
Bank balances and cash	<u><u>262,453</u></u>				<u><u>104,035</u></u>

**NOTES TO THE PRO FORMA FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. The amounts are extracted from the audited consolidated financial statements of the Group as at the year ended 31 December 2021 as set out in the annual report of the Company for the year ended 31 December 2021.
10. The adjustment also represents the recognition of the cash flow effect of the Target Company as at 31 December 2021 assuming the Acquisition had taken place on 1 January 2021. The cash flow of the Target Company are extracted from the accountants' report of the Target Company set out in Appendix II to this circular.
11. The adjustment represents the elimination on the related finance costs arisen from the amount due to ultimate holding company for the year ended 31 December 2021 assuming the Acquisition had taken place on 1 January 2021.
12. The adjustment represents (1) the Acquisition at an estimated consideration of HK\$1,420,695,000; (2) the stamp duty amounting to HK\$3,694,000, which is directly attributable cost of the Acquisition; and (3) estimated transaction costs attributable to the Acquisition of approximately HK\$2,360,000 and is not expected to have a continuing effect on the Enlarged Group.

The downward adjustment on the consideration as stated in note 3 would be approximately HK\$33,264,000 including the utility deposits and deferred tax liability of the Target Company as at 1 January 2021 assuming the Acquisition had taken place on 1 January 2021.

In the opinion of the Directors, the Group will settle the adjusted consideration and the stamp duty of HK\$1,391,125,000 by bank balances and cash of HK\$178,469,000, with net cash outflow of HK\$171,554,000 after deducting the bank balances and cash of Target Company, and the remaining portion of HK\$1,212,656,000 and the estimated transaction costs attributable to the Acquisition of approximately HK\$2,360,000 will be settled in full by utilising the existing available banking facilities.

The adjustment also represents the elimination of the cash flow effect on the amounts due to related companies and amounts due to a former director by the Target Company for the year ended 31 December 2021 assuming the Acquisition had taken place on 1 January 2021 pursuant to the Sale and Purchase Agreement, the aggregate amount of the outstanding owing by the Target Company to the Vendor as at the Completion will be assigned from the Vendor to the Purchaser at the Completion.

13. The unaudited pro forma consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of cash flows contained in the Circular do not constitute the Company's statutory annual consolidated financial statements for the year ended 31 December 2021 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on these financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

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

The following is the text of the independent reporting accountants' assurance report, in respect of the unaudited pro forma financial information prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.

德勤

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

To the Directors of Shun Ho Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shun Ho Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2021, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2021 and related notes as set out on pages 66 to 74 of the circular issued by the Company dated 8 September 2022 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 66 to 74 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the very substantial acquisition in relation to the proposed acquisition of the entire issued share capital of Ocean Time Investments Limited on the Group's financial position as at 31 December 2021 and the Group's financial performance and cash flows for the year ended 31 December 2021 as if the transaction had taken place at 31 December 2021 and 1 January 2021 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2021, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

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

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

Reporting Accountants’ Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2021 or 1 January 2021 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 8 September 2022

The following is the text of a letter, and valuation certificate, prepared for the purpose of incorporation in this circular received from Colliers International (Hong Kong) Ltd, an independent valuer, in connection with its valuation as at 31 July 2022 of the Property to be acquired by the Group. Terms defined in this appendix applies to this appendix only.

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colliers.com



Colliers International (Hong Kong) Limited
Company Licence No: C-006052

8 September 2022
Shun Ho Holdings Limited,
Shun Ho Property Investments Limited and
Magnificent Hotel Investments Limited
3/F Shun Ho Tower
24-30 Ice House Street, Central
Hong Kong

Re: Valuation of The Bay Bridge Lifestyle Retreat, Tsuen Wan, New Territories, Hong Kong (the “Property”)

Dear Sirs,

INSTRUCTIONS, PURPOSES AND VALUATION DATE

In accordance with your instructions for us to assess the market value of the Property in Hong Kong, we confirm that we have made relevant enquiries and searches and obtained such further information as we consider necessary for providing you with our opinion of the value of the Property as at 31 July 2022 (the “**Valuation Date**”) for acquisition purposes.

BASIS OF VALUATION

Our valuation has been made on the basis of market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION STANDARDS

The valuation has been carried out in accordance with the prevailing Hong Kong Institute of Surveyors’ *Valuation Standards* published by the Hong Kong Institute of Surveyors (HKIS) and the Royal Institution of Chartered Surveyors’ *Valuation – Global Standards*, both incorporating the *International Valuation Standards* published by the International Valuation Standards Council (IVSC). We have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on the Stock Exchange of the Hong Kong Limited.

VALUATION METHODOLOGY

In our course of valuation, we have adopted Income Approach.

Income Approach is a valuation methodology by reference to the capacity of a property to generate benefits (i.e. usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value. It is based on the premise that an investor uses the income capability of an investment as a measure of value. The income from a property is usually annual operating income or pre-tax cash flow. The conversion of income into an expression of market value is known as the capitalization process, which is to convert estimated annual income expectancy into an indication of value either by dividing the income estimate by the discount rate ie 7.25% or by multiplying the income estimate by the capitalization rate ie 3.25%.

SOURCE OF INFORMATION

All investigations have been conducted independently and without influence from any third parties in any way. We have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us on such matters as particulars of occupancy, ownership title, lettings, statutory notices, easements, tenure, joint venture agreements and all other relevant matters. Dimensions, measurements and areas included in the valuation particulars are based on information provided and are only approximations.

TITLE INVESTIGATIONS

We have conducted relevant land searches from the Land Registry. However, we have neither examined the original documents to verify the ownership nor to ascertain the existence of any amendments which do not appear on the copies handed to us and we have assumed no responsibility for such matters.

SITE MEASUREMENT

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Property but have assumed that the areas shown on the documents and plans provided to us are correct.

SITE INSPECTION

We have inspected the exterior of the Property by our Stephanie Wan MRICS on 21 June 2022. No structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the Property is free of rot, infestation or any other structural defects or deleterious materials. No tests were carried out on any of the services and we cannot advise on the adequacy of plant and machinery servicing the Property and its tenants.

ASSUMPTIONS AND CAVEATS

Our valuation has been made on the assumption that the Property would be sold in the open market in its existing state, subject to existing tenancies or otherwise with the benefit of vacant possession, without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could affect the value of the Property.

We have valued the Property on the basis that each of them is considered individually. We have not allowed any discount for the Property being sold to one party nor taken into account any effect on the value if the Property was offered for sale at the same time as a portfolio.

We have conducted the valuations assuming that:

1. the Property is free from and clear of any and all charges, liens and encumbrances of an onerous nature likely to affect value.
2. any land premium or other relevant fees (if any) payable for the acquisition, transfer, sale, letting or mortgage of the Property have been fully paid and settled.
3. proper title has been obtained, and the Property and the interest valued therein can be freely transferred, mortgaged and let in the market.
4. the information, estimates and opinions furnished to us and contained in this report have been obtained from sources considered reliable and believed to be true and correct, but we can assume no responsibility for their accuracy.

THE VALUER

This valuation has been prepared by Jason Fung, Director of Valuation and Advisory Services, who has sufficient experience to carry out valuations of this size and nature.

Neither the valuer nor Colliers International (Hong Kong) Limited are aware of any pecuniary interest or other conflict of interest that could affect their ability to give an unbiased and objective opinion of the value of the Property.

CURRENCY

Unless otherwise stated, all monetary figures in this report are in Hong Kong Dollar (HK\$).

Our valuation particulars are herein attached.

Yours faithfully,

For and on behalf of

Colliers International (Hong Kong) Ltd

Jason Fung

BSc (Hons), MRICS, MHKIS, RPS(GP), MCIREA, REGISTERED REAL ESTATE APPRAISER PRC

Director

Valuation and Advisory Services

Note: Jason Fung is a Member of The Royal Institution of Chartered Surveyors, a Member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice), a member of the China Institute of Real Estate Appraisers and Agents and a registered Real Estate Appraiser PRC with over 14 years' experience in the real estate industry. His valuation experience covers Hong Kong SAR, mainland China and other Asia regions.

VALUATION PARTICULARS

Property Interests for investment purposes which the Group is considering acquiring of:

Property	Description and tenure	Particulars of occupancy	Market value as at 31 July 2022
The property known as Bay Bridge Lifestyle Retreat, located at No. 123 Castle Peak Road, Ting Kau, Tsuen Wan, New Territories, Hong Kong (the "Property")	The Property is a 16-storey hotel (including 3-storey basement) erected over a site with a site area of approximately 50,590.80 sq.ft.. Pursuant to the Occupation Permit No. HK16/97, the Property was built in 1998.	The Property is currently occupied for hotel use, operated and managed under the brand name of Bay Bridge Lifestyle Retreat by the Group.	HK\$1,610,000,000 (Hong Kong Dollars One Billion Six Hundred and Ten Million only)
Lot Number: Tsuen Wan Town Lot No. 356	The Property has a total gross floor area ("GFA") of approximately 216,314.00 sq.ft.. The Property comprises 435 guestrooms, gym facilities and parking spaces. The locality of the Property is served by public transport services and surrounded by residential developments of various ages. Tsuen Wan Town Lot No. 356 is held under New Grant No. 6885 (details please refer to Note 3 below) for a term commencing from 8 September 1992 and expiring on 30 June 2047. The total Government rent of the above lot is HK\$1,000 per annum until 30 June 1997 and thereafter 3% of the rateable value of the lot.		

Notes:

- The registered owner of the Property is Ocean Time Investments Limited (the "Owner") dated 30 October 1992 registered vide memorial no. TW866120.
- The Property was inspected by Stephanie Wan MRICS on 21 June 2022.
- The lot details of the Property are as follows:

Lot Number	Name of Lease Document	Lease Term
Tsuen Wan Town Lot No. 356	New Grant No. 6885	From 8 September 1992 to 30 June 2047

4. The Property has/is subject to the following registrations/encumbrances:
- (a) Modification Letter dated 12 September 1996, registered vide memorial no. TW1086764;
 - (b) Certificate of Compliance dated 13 February 1998, registered vide memorial no. TW1205707;
 - (c) Occupation Permit No. HD16/97 dated 18 September 1998, registered vide memorial no. TW1205708;
 - (d) Mortgage dated 24 July 2017 in favour of China Construction Bank (Asia) Corporation Limited for all moneys, registered vide memorial no. 17081802330027;
 - (e) Assignment of Rentals dated 24 July 2017 in favour of China Construction Bank (Asia) Corporation Limited, registered vide memorial no. 17081802330038;
 - (f) Second Mortgage dated 23 December 2021 in favour of Harvest Rich Development Limited for all moneys, registered vide memorial no. 21122402550032; and
 - (g) Sub-Mortgage (remarks: by Harvest Rich Development Limited) dated 23 December 2021 in favour of Dragons 321 Limited, registered vide memorial no. 21122402550040.
5. The Property lies within an area zoned “Residential (Group B) 1” under Approved Tsuen Wan Outline Zoning Plan No. S/TW/35 exhibited on 18 February 2022.
6. The Property is on the south side of the junction of Castle Peak Road – Ting Kau and Yau Lai Road. Developments in the vicinity are mainly medium-density apartments. Remarkable residential apartments in this area include The Westminster Terrace, Grandview Villa and One Kowloon Peak. Tsuen Wan West Station of MTR Tuen Ma Line is about 4-minute driving distance. Public transports such as franchised buses and taxis are available along Castle Peak Road – Ting Kau.
7. We have been provided with a hotel licence (registered vide Hotel Licence No. H/2815) dated 20 March 2022 and issued by the Hotel and Guesthouse Accommodation Authority, which indicates that the Owner is permitted to operate, keep, manage or otherwise have control of the Property from the date of the licence until 19 March 2025.
8. The major parameter used in our valuation are as below:
- | | | |
|---------------------------|---|--------|
| Daily Room Rate in Year 1 | : | \$508* |
| Occupancy Rate in Year 1 | : | 80% |
| Discount Rate | : | 7.25% |
| Capitalization Rate | : | 3.25% |

- * The Daily Room Rate in Year 1 adopted has taken into account of the 2018-2022 revenue and average room rates provided. In consideration of the hotel performance before COVID-19 and taking into account (i) the nearly total lock down which occurred between February to April 2022; (ii) the subsidy of the Hong Kong government granted to the hotel and hospitality sector; and (iii) the consistent implantation of tight social distancing measures by the Hong Kong government up until early July 2022, the average daily room rate of HK\$508 is adopted for the Daily Room Rate in Year 1.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors and Chief Executive

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

(a) *The Company*

Name of Director	Capacity	Nature of Interests	Number of shares/ Underlying shares held	Approximately % of shareholding
William Cheng Kai Man	Beneficial owner and interest of controlled corporations	Personal and corporate	226,454,825 (Note)	74.40

Note: Trillion Resources Limited (“**Trillion Resources (BVI)**”) beneficially owned 154,006,125 shares in the Company (the “**Shares**”) (50.60%) and Mercury Fast Limited (“**Mercury Fast**”) beneficially owned 62,602,700 Shares (20.60%). Mr. William Cheng Kai Man had controlling interests in the above-mentioned companies. In addition, Mr. William Cheng Kai Man beneficially owned 9,846,000 Shares (3.23%). All the above interests in the Shares are long position.

(b) 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/ Underlying shares held	Approximately % of shareholding
William Cheng Kai Man	SHP (Note 1)	Beneficial owner and interest of controlled corporations	Personal and corporate	385,395,999	66.48
William Cheng Kai Man	MHI (Note 2)	Interest of controlled corporations	Corporate	6,360,585,437	71.09
William Cheng Kai Man	Trillion Resources (BVI) (Note 3)	Beneficial owner	Personal	2	100

Notes:

1. SHP, the Company's subsidiary, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
2. MHI, the Company's indirect subsidiary, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
3. Trillion Resources (BVI), the Company's ultimate holding company, is a company incorporated in the British Virgin Islands.
4. All the above interests in the shares of the associated corporations are long position.

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

Substantial Shareholders

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

Name of shareholder	Capacity	Number of shares/ underlying shares held	Approximately % of shareholding
Mercury Fast	Beneficial owner	62,602,700	20.60
MHI (<i>Note 1</i>)	Interest of controlled corporation	62,602,700	20.60
SHP (<i>Note 1</i>)	Interest of controlled corporation	62,602,700	20.60
Trillion Resources (BVI) (<i>Note 2</i>)	Beneficial owner and interest of controlled corporation	216,608,825	71.20
Liza Lee Pui Ling (<i>Note 3</i>)	Interest of spouse	226,454,825	74.40

Notes:

1. MHI and SHP were taken to be interested in 62,602,700 Shares held by Mercury Fast, a wholly-owned subsidiary of MHI which in turn owned as to 71.09% by SHP and its subsidiaries.
2. Trillion Resources (BVI) beneficially owned 154,006,125 Shares (50.60%) and was taken to be interested in 62,602,700 Shares (20.60%) held by Mercury Fast which is the Company's indirect subsidiary.
3. Madam Liza Lee Pui Ling was deemed to be interested in 226,454,825 Shares (74.40%) by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.
4. All the above interests are long position.

Save as disclosed above, there was no person, other than a director or chief executive of the Company, who has an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

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 close 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 2021 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

5. DIRECTORS' INTERESTS IN SERVICE CONTRACTS

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

6. LITIGATION

So far as the Directors are aware, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened by or against the Group 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 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

8. MATERIAL CONTRACTS

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

- (a) The Sale and Purchase Agreement; and
- (b) The sale and purchase agreement dated 11 May 2022 in respect of the sale of the entire issued share capital of Sino Money Investments Limited between Babenna Limited, a directly wholly-owned subsidiary of the Company, as vendor, SYP Investment Limited as Purchaser and the Company as the vendor's guarantor (the "Sino Money SPA").

9. CONSENT OF EXPERTS

Each of Colliers International (Hong Kong) Limited and Deloitte Touche Tohmatsu has given and has not withdrawn their written consent to the inclusion of their report in this circular with references to their name in form and context in which they appear.

10. QUALIFICATION OF EXPERTS

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

Name	Qualifications
Colliers International (Hong Kong) Limited	Professional Valuer (<i>MRICS, MHKIS, RPS(GP), MCIREA, REGISTERED REAL ESTATE APPRAISER PRC</i>)
Deloitte Touche Tohmatsu	Certified Public Accountants under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)

As at the Latest Practicable Date, each of Colliers International (Hong Kong) Limited and Deloitte Touche Tohmatsu did not have any holding, directly or indirectly, of any securities in any member of the Enlarged 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, each of Colliers International (Hong Kong) Limited and Deloitte Touche Tohmatsu did not have any direct or indirect interests in any assets which since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group.

11. GENERAL

- (a) The registered office of the Company is situated at 3rd Floor, Shun Ho Tower, 24-30 Ice House Street, Central, Hong Kong.
- (b) The share registrar of the Company is Tricor Tengis Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The secretary of the Company is Ms. Koo Ching Fan, an associate of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. She is also a holder of the Practitioner's Endorsement issued by the Hong Kong Institute of Chartered Secretaries.
- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange website (<http://www.hkexnews.hk>) and the Company's website (<http://www.shunho.com.hk/shh/chinese/index.html>) up to and including the date which is 14 days from the date of this circular:

- (a) the Sale and Purchase Agreement and the Sino Money SPA;
- (b) the annual reports of the Company for each of the financial years ended 31 December 2019, 2020 and 2021 and the interim results announcement of the Company for the six months ended 30 June 2022;
- (c) the report from Deloitte Touche Tohmatsu on the Target Company as set out in Appendix III to this circular;
- (d) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;
- (e) the property valuation report of Colliers International (Hong Kong) Limited in respect of the Property, the text of which is set out in Appendix V to this circular; and
- (f) the written consents referred to in the paragraph headed "9. CONSENT OF EXPERTS" in this Appendix.

NOTICE OF EGM



SHUN HO HOLDINGS LIMITED

順豪控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 253)

NOTICE OF EXTRAORDINARY GENERAL MEETING

PRECAUTIONARY MEASURES FOR THE EGM

Please see page 1 of this circular for measures being taken to try to prevent and control the spread of COVID-19 at the EGM, including:

- **Compulsory body temperature checks**
- **Compulsory wearing of a surgical face mask for each attendee**
- **No distribution of corporate gifts or refreshment**
- **Other measures may be required by the governmental authorities**

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting as an alternative to attending the meeting in person.

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “EGM”) of Shun Ho Holdings Limited (the “Company”) will be held at Conference Room, Basement, Best Western Plus Hotel Kowloon, 73-75 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 29 September 2022 at 10:30 a.m. to consider, if thought fit, passing the following resolutions as ordinary resolutions of the Company. Unless otherwise indicated, capitalised terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 8 September 2022 (the “Circular”) of which the notice convening the EGM forms part.

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the Sale and Purchase Agreement dated 11 May 2022 entered into between the Vendor, the Purchaser and Mr. Tang Yiu Sing (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 Acquisition and the transactions contemplated thereby be and are hereby approved, confirmed and ratified; and

NOTICE OF EGM

- (b) the taking of all steps and doing of all things and execution of all documents by the Company and its subsidiaries to implement, give effect to or complete the Sale and Purchase 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 Sale and Purchase Agreement and the transactions contemplated thereby, as any one of the directors of the Company may consider to be necessary, desirable, appropriate or expedient, be and are hereby approved, confirmed and ratified.”

Yours faithfully
By Order of the Board
Shun Ho Holdings Limited
William CHENG Kai Man
Chairman

Hong Kong, 8 September 2022

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 registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, 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 registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 23 September 2022.
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.
5. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
6. Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the EGM arrangements at short notice. Shareholders should check the latest policies and notices announced by the Hong Kong Government, the Stock Exchange website (<http://www.hkexnews.hk>) and the Company's website (<http://www.shunho.com.hk/shh/chinese/index.html>) for future announcements and update on the EGM arrangement.

As at the date of this notice, the board of directors of the Company comprises five Executive Directors, namely Mr. William Cheng Kai Man (Chairman), Mr. Albert Hui Wing Ho, Madam Kimmy Lau Kam May, Madam Ng Yuet Ying and Madam Wendy Cheng Wai Kwan; one Non-executive Director, namely, Madam Mabel Lui Fung Mei Yee; and three Independent Non-executive Directors, namely, Mr. Chan Kim Fai, Mr. Lam Kwai Cheung and Mr. Warren Liu Yuk Cho.