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**SHUN TAK HOLDINGS LIMITED**

**信德集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 242)**

**website:<http://www.shuntakgroup.com>**

**ANNOUNCEMENT**

**CONNECTED TRANSACTION IN RELATION TO**

**THE AWARD OF MANAGEMENT CONTRACT FOR  
THE REDEVELOPMENT OF CHATHAM GARDEN**

On 23 November 2010, Ranex, an indirect non wholly-owned subsidiary of the Company in which SHKP indirectly owns 29% of its issued share capital and the developer of the Development, entered into the Management Contract with STYF, a joint venture indirectly owned by the Company and SHKP in equal share, whereby STYF is appointed as the management contractor by Ranex for the construction of the Development. The contract value of the Management Contract, which comprises the Management Fee and the Preliminaries, is currently expected to be no more than HK\$140,000,000.

On 23 November 2010, Buildwell, Yee Fai, the Company, SHKP and STYF entered into the Supplemental Shareholders' Agreement which supersedes the Shareholders' Agreement and sets out the agreement between the parties on the operation and management of STYF and their relationship in connection with the undertaking of the Management Contract.

SHKP is a connected person of the Company under the Listing Rules by virtue of its indirect ownership of 29% in the issued share capital of Ranex. STYF is owned as to 50% by the SHKP Group and is therefore also a connected person of the Company.

The exemption from the reporting and announcement requirements under Rule 14A.31(9) of the Listing Rules is not applicable to the Management Contract due to the size of Ranex. Since one of the percentage ratios as defined in Rule 14.07 of the Listing Rules in respect of the contract value of the Management Contract exceed 1% but is less than 5%, the entering into of the Management Contract by Ranex is subject to the reporting and announcement requirements under Rules 14A.45 and 14A.47 of the Listing Rules but exempt from independent Shareholders' approval. Appropriate disclosure of the Management Contract will be made in the next annual report and accounts of the Company in accordance with the Listing Rules.

## **Background**

The Board hereby announces that on 23 November 2010, Ranex, an indirect non wholly-owned subsidiary of the Company and the developer of the Development, entered into the Management Contract with STYF, whereby STYF is appointed as the management contractor for the Development.

## **Major Terms of the Management Contract**

*Date:* 23 November 2010

*Developer:* Ranex

*Management Contractor:* STYF

*Scope of Works:* STYF, as the management contractor, shall be responsible for the followings (excluding those related to the foundation works of the Development):

- i) managing and supervising the construction and completion of the Development;
- ii) entering into (as agent for Ranex) the works contracts with the works contractors and suppliers in relation to the Development; and
- iii) paying (as agent for Ranex) all necessary Preliminaries, including but not limited to the engagement of the site staff and other personnel such as site agents, site foremen, site engineers and site quantity surveyors, etc. for the completion of the works to be carried out under the Management Contract.

*Contract Value:*

The contract value of the Management Contract, which comprises the Management Fee and Preliminaries, is currently expected to be not more than HK\$140,000,000.

i) Management Fee

Management Fee is equivalent to 5.5% of the Construction Cost, subject to a cap of HK\$40,000,000, payable by Ranex to STYF on a monthly basis.

ii) Preliminaries

Preliminaries mean the costs incurred or to be incurred by STYF on behalf of, and are reimbursable by, Ranex for the site overheads (excluding plant, scaffolding and cleaning, but including without limitation the engagement of the site staff and other personnel such as site agents, site foremen, site engineers and site quantity surveyors, etc.), subject to a cap of HK\$100,000,000.

The caps on the Management Fee and the Preliminaries are subject to change in the event of major change in the scope of works of the Development, and/or the extension of the contract period which is currently scheduled to end on 31 December 2012.

*Guarantees:*

Each of STDL and SHKR, being a wholly-owned subsidiary of the Company and SHKP respectively, has executed a guarantee in favour of Ranex to guarantee the due and punctual performance of the Management Contract by STYF. The liability of each of STDL and SHKR, as guarantors, shall be limited to 50% of the total liability of STYF under the Management Contract.

**The Supplemental Shareholders' Agreement relating to STYF**

STYF is a joint venture between the Group and the SHKP Group in equal share formed in 2001 to undertake the construction contract of the Previous Development. An announcement in this respect dated 7 March 2001 was issued by the Company. The construction of the Previous Development has been completed and the purpose for which the Shareholders' Agreement was entered into has been achieved and the Shareholders' Agreement has been treated by the parties as spent.

On 23 November 2010, Buildwell, Yee Fai, the Company, SHKP and STYF entered into the Supplemental Shareholders' Agreement which supersedes the Shareholders' Agreement and sets out the agreement between the parties on the operation and management of STYF and their relationship in connection with the undertaking of the Management Contract. Major terms of the Supplemental Shareholders' Agreement are as follows:

*Date:* 23 November 2010

*Shareholders:*

- i) Buildwell, an indirect wholly-owned subsidiary of the Company, which owns 50% of STYF's issued share capital; and
- ii) Yee Fai, an indirect wholly-owned subsidiary of SHKP, which owns the remaining 50% of STYF's issued share capital.

*Business of STYF:* STYF shall undertake the Management Contract as the management contractor of Ranex.

*Financing Arrangement:* In the event that financing is required by STYF, both Buildwell and Yee Fai shall provide funding for the business of STYF by way of shareholders' loan in accordance with the Shareholding Ratio. If external financing is required, both the Group and the SHKP Group shall, at the request of the lender, provide guarantee or security on a several basis in accordance with the Shareholding Ratio.

It is currently expected that no material funding contribution or guarantee/security for external financing is required by STYF from Buildwell and Yee Fai for undertaking the Management Contract.

*Shareholders' Support:* The Group and the SHKP Group shall provide management and operational support to STYF to enable it to perform its obligations under the Management Contract for a fee as set out below:

- i) the Group shall provide secretarial, accounting and internal auditing services and support to STYF for a fee payable to Buildwell equivalent to 0.5% of the Construction Cost, subject to a cap of HK\$8,000,000;

- ii) the SHKP Group shall provide all accommodation, personnel, services and support to STYF for a fee payable to Yee Fai equivalent to 2% of the Construction Cost, subject to a cap of HK\$32,000,000; and
- iii) any remaining profit or loss of STYF shall be shared by Buildwell and Yee Fai in accordance with the Shareholding Ratio.

*Guarantees:*

The Company has guaranteed the due and punctual performance and fulfillment of Buildwell's obligations under the Supplemental Shareholders' Agreement whereas SHKP has guaranteed the due and punctual performance and fulfillment of Yee Fai's obligations under the Supplemental Shareholders' Agreement.

**Reasons for the Management Contract and the Supplemental Shareholders' Agreement**

The Company is an investment holding company and its subsidiaries are engaged in a number of business activities including transportation, hospitality, property development and investment.

Ranex, the developer of the Development, is an indirect non wholly-owned subsidiary of the Company and is engaged in property development and investment.

STYF, a joint venture owned as to 50% by each of the Group and the SHKP Group, is engaged in the business of building construction. STYF is accounted for as a jointly controlled entity in the consolidated financial statements of the Company.

Both the Company and SHKP have indirect shareholding interests in both Ranex, the developer of the Development, and STYF. The appointment of STYF as the management contractor by Ranex for the construction of the Development will allow Ranex to better control and manage the Development in terms of quality, timing and costs. The fee receivable from and the sharing of the profit of STYF by the Group under the Supplemental Shareholders' Agreement will contribute to the Group's profit and cashflows.

The terms of the Management Contract and the Supplemental Shareholders' Agreement are arrived at after arm's length negotiations between the relevant parties. The Directors consider that the entering into of the Management Contract and the

Supplemental Shareholders' Agreement is in the ordinary and usual course of business of the Group, on normal commercial terms and that the terms of the Management Contract and the Supplemental Shareholders' Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Listing Rules Implication**

SHKP is a connected person of the Company under the Listing Rules by virtue of its indirect ownership of 29% in the issued share capital of Ranex, an indirect non wholly-owned subsidiary of the Company. STYF is owned as to 50% by the SHKP Group and is therefore also a connected person of the Company.

The exemption from the reporting and announcement requirements under Rule 14A.31(9) of the Listing Rules is not applicable to the Management Contract due to the size of Ranex. Since the contract value payable by Ranex under the Management Contract, including the Management Fee and the Preliminaries, exceeds 1% but is less than 5% for one of the percentage ratios as defined in Rule 14.07 of the Listing Rules, the entering into of the Management Contract by Ranex is therefore subject to the reporting and announcement requirements under Rules 14A.45 and 14A.47 of the Listing Rules but exempt from independent Shareholders' approval. Appropriate disclosure of the Management Contract will be made in the next annual report and accounts of the Company in accordance with the Listing Rules.

No Director has any material interest in the transactions under the Management Contract and the Supplemental Shareholders' Agreement and therefore none of them is required to abstain from voting on the board resolutions for approving the Management Contract and the Supplemental Shareholders' Agreement.

### **Definitions**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Buildwell”	Buildwell Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Company”	Shun Tak Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 242)

“Construction Cost”	actual out-of-pocket expenses, except the Management Fee, incurred or to be incurred by Ranex, as the developer, in connection with the Development including, but not limited to (i) payment for works carried out by works contractors and goods supplied by works suppliers; (ii) costs of labour directly engaged for the Development; (iii) costs of materials and goods purchased for the Development; (iv) plant, consumable stores and services but excluding items of works which are expressly excluded from the Management Contract such as foundation works; and (v) the Preliminaries, which are currently estimated to be approximately HK\$742.6 million in aggregate by an independent firm of quantity surveyors
“Development”	the redevelopment of Chatham Garden located at No. 424 Chatham Road, Tsim Sha Tsui North at Kowloon Inland Lot No. 6545 into a residential and commercial property development featuring 2 residential towers on top of a commercial podium with a total gross floor area of approximately 370,000 square feet, foundation works of which have been completed
“Director(s)”	the director(s), including independent non-executive director(s), of the Company
“Group”	the Company together with 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
“LCH Group”	Liu Chong Hing Investment Limited, the shares of which are listed on the Stock Exchange (Stock Code: 194), and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NWD Group”	New World Development Company Limited, the shares of which are listed on the Stock Exchange (Stock Code: 17), and its subsidiaries

“Management Contract”	a legally binding letter of award dated 23 November 2010 executed by Ranex, as the developer, and STYF whereby STYF is appointed as the management contractor by Ranex for the construction of the Development
“Management Fee”	the management fee payable by Ranex to STYF under the Management Contract which is equivalent to 5.5% of the Construction Cost, subject to a cap of HK\$40,000,000
“Preliminaries”	the costs incurred or to be incurred by STYF on behalf of, and are reimbursable by, Ranex for the site overheads (excluding plant, scaffolding and cleaning, but including without limitation the engagement of the site staff and other personnel such as site agents, site foremen, site engineers and site quantity surveyors, etc.) to the extent that they are incurred for the purpose of the Management Contract, subject to a cap of HK\$100,000,000
“Previous Development”	a residential and commercial property development at New Kowloon Inland Lot No. 6328, now known as the “Liberté”
“Ranex”	Ranex Investments Limited, an indirect non wholly-owned subsidiary of the Company and owned as to 51% by the Group, 29% by SHKP Group, 10% by NWD Group and 10% by LCH Group
“Shareholder(s)”	the shareholder(s) of the Company
“Shareholders’ Agreement”	the shareholders’ agreement dated 7 March 2001 entered into among Buildwell, Yee Fai, the Company, SHKP and STYF in relation to the formation of STYF and the construction of the Previous Development
“Shareholding Ratio”	50:50, being the percentage of shareholding in STYF held by Buildwell and Yee Fai
“SHKP”	Sun Hung Kai Properties Limited, the shares of which are listed on the Stock Exchange (Stock Code: 16)
“SHKP Group”	SHKP together with its subsidiaries
“SHKR”	Sun Hung Kai Real Estate Agency Limited, a direct wholly-owned subsidiary of SHKP
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



“STDL”	Shun Tak Development Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
“STYF”	Shun Tak Yee Fai Construction JV Limited, a company incorporated in Hong Kong with limited liability and owned as to 50% by each of Buildwell and Yee Fai
“Supplemental Shareholders’ Agreement”	the supplemental shareholders’ agreement dated 23 November 2010 entered into among Buildwell, Yee Fai, the Company, SHKP and STYF regarding the operation and management of STYF in connection with the construction of the Development which supersedes the Shareholders’ Agreement
“Yee Fai”	Yee Fai Construction Company Limited, a wholly-owned subsidiary of SHKP

By order of the Board  
**SHUN TAK HOLDINGS LIMITED**  
**Angela Tsang**  
*Company Secretary*

Hong Kong, 23 November 2010

*As at the date of this announcement, the executive Directors are Dr. Stanley Ho, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum; the non-executive Directors are Dato’ Dr. Cheng Yu Tung, Mrs. Louise Mok and Mr. Michael Ng; and the independent non-executive Directors are Sir Roger Lobo, Mr. Norman Ho and Mr. Charles Ho.*