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

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

**If you have sold or transferred** all your shares in Shun Tak Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of Shun Tak Holdings Limited.**

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### **DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO PROPOSED TRANSFER**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



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A letter from the Board is set out on pages 6 to 21 of this circular. A letter from the Independent Board Committee is set out on pages 22 and 23 of this circular. A letter from Optima Capital Limited, the IFA, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 42 of this circular.

A notice convening the General Meeting to be held at Golden Restaurant, Macau Jockey Club (HK) Club House, 1st Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Wednesday, 14 December 2016 at 2:30 p.m. or any adjournment thereof is set out on pages GM-1 to GM-2 of this circular.

Whether or not you intend to attend the General Meeting or any adjournment thereof, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registered office of the Company at Penthouse 39th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong, not less than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof if you so wish.

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## DEFINITIONS

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

“Abstained Directors”	Dr. Ho, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mrs. Louise Mok, all being Directors, who have not given any opinion and have abstained from voting on the Board resolutions approving the Agreement and the transaction contemplated thereunder in view of their respective interests in the Agreement
“Agreement”	the agreement dated 1 November 2016 and entered into among Sai Wu, STNV and the Company in respect of, among others, the extension of the long stop date of the SPA and the Proposed Transfer
“Alpha Davis”	Alpha Davis Investments Limited, a company incorporated in the British Virgin Islands, owned as to 47% by Dr. Ho and 53% by a company jointly held by Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho, which is nominated by Sai Wu to receive the Consideration Shares
“Announcement”	the announcement of the Company dated 1 November 2016 in relation to, among others, the Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday in Hong Kong or any day on which a tropical cyclone warning no. 8 or above or a “black” rain warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are ordinarily open for the transaction of normal banking business in Hong Kong
“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)
“Completion”	the completion of the Proposed Transfer in accordance with the terms and conditions of the Agreement
“Consideration Shares”	up to 148,883,374 new Shares to be issued by the Company as part of the Pro-rata Consideration

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## DEFINITIONS

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“Director(s)”	the director(s), including independent non-executive director(s), of the Company
“Dr. Ho”	Dr. Stanley Ho, Group Executive Chairman of the Company and an executive Director
“D2 Land Company”	Sociedade de Investimento Imobiliário Va Keng Van, S.A., a company incorporated in Macau with limited liability and was the holder of the leasehold grant of Lot D2
“D5 Land Company”	Sociedade de Investimento Imobiliário Wui Keng Van, S.A., a company incorporated in Macau with limited liability and was the holder of the leasehold grant of Lot D5
“General Meeting”	the general meeting of the Company to be held at Golden Restaurant, Macau Jockey Club (HK) Club House, 1st Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on 14 December 2016 at 2:30 p.m. for the purpose of approving the Agreement and the Specific Mandate
“Group”	the Company together with its subsidiaries
“Hei Keng Van”	Sociedade de Investimento Imobiliário Hei Keng Van S.A.R.L., a company incorporated in Macau with limited liability and the beneficiary and legitimate titleholder of the promissory land rights granted by the Macau Government pursuant to Dispatch no. 36/2004 as published in the Macau Official Gazette of 14 April 2004, pursuant to which Hei Keng Van shall be entitled to be granted leasehold grant of one or more land sites in Districts C and D of the Nam Van District, Macau or land sites with similar developable gross floor area and construction capacity, in replacement of a land site with a site area of 6,480 square metres located in District B of the Nam Van District, Macau (known as Lot B/l) previously surrendered by it to the Macau Government
“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

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## DEFINITIONS

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“IFA” or “Optima Capital”	Optima Capital Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement
“Independent Board Committee”	the independent committee of the Board comprising Mr. Norman Ho, Mr. Charles Ho, Mr. Michael Ng and Mr. Kevin Yip, being all the independent non-executive Directors, which has been established to advise the Independent Shareholders in respect of the Agreement
“Independent Shareholders”	the Shareholders other than Dr. Ho, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mrs. Louise Mok and their respective associates and any other persons who have material interests in the Agreement
“Last Trading Day”	31 October 2016, being the last full trading day for the Shares before the date of the Announcement
“Latest Practicable Date”	25 November 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lot D2”	a property site (which forms a portion of Site D) entailing a developable gross floor area of 80,200 square metres for hotel and 10,020 square metres for parking, located in Nam Van, Macau and held by D2 Land Company
“Lot D5”	a property site (which forms a portion of Site D) entailing a developable gross floor area of 27,560 square metres for residential purposes and 4,140 square metres for parking, located in Nam Van, Macau and held by D5 Land Company
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“MOP”	Macanese pataca, the lawful currency of Macau
“Original Shareholders”	each and all of the shareholders of the Target Companies

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## DEFINITIONS

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“Property Valuation Report”	the property valuation report set out in Appendix I to this circular, issued by the Property Valuer in accordance with the requirements of the Listing Rules
“Property Valuer”	Savills (Macau) Limited
“Proposed Transfer”	the proposed transfer of the Target Shares and the assignment of the Sai Wu Promissory Land Rights to STNV and other transactions as contemplated under the Agreement
“Replacement Site(s)”	the leasehold land site(s) (or other rights) to be granted by the Macau Government or other relevant parties pursuant to the Sai Wu Promissory Land Rights and/or the promissory land rights held by Hei Keng Van and/or the land concession that were attributed to D2 Land Company and to D5 Land Company and/or arising from their respective expiry
“Sai Wu”	Sai Wu Investment Limited, a company incorporated in Macau with limited liability
“Sai Wu Promissory Land Rights”	the right granted by the Macau Government to Sai Wu pursuant to Dispatch no. 35/2004 as published in the Macau Official Gazette of 14 April 2004, pursuant to which Sai Wu shall be entitled to be granted leasehold grant of one or more land sites in Districts C and D of the Nam Van District, Macau or land sites with similar developable gross floor area and construction capacity, in replacement of a land site with a site area of 6,480 square metres located in District B of the Nam Van District, Macau (known as Lot B/g) previously surrendered by it to the Macau Government
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Site D”	the land development rights in respect of four property sites in the Nam Van District, Macau (referred to as Lots D2, D3, D4 and D5) expected to be held by the four companies to be acquired by STNV under the SPA

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## DEFINITIONS

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“SPA”	the sale and purchase agreement dated 11 November 2004 (and the supplemental agreements thereto) entered into by the Company, STNV, Dr. Ho and Sai Wu, in relation to the sale and acquisition of the entire issued share capitals of certain companies which were expected to hold Site D at the time of completion
“SPA Announcements”	the announcements of the Company dated 11 November 2004, 11 May 2005, 30 December 2005, 30 June 2006, 20 June 2007, 27 May 2008, 26 May 2009, 30 December 2010, 7 February 2012, 23 December 2013 and 31 December 2014 in connection with the SPA
“Specific Mandate”	the specific mandate to be proposed at the General Meeting for approval by the Independent Shareholders in relation to the allotment and issuance of up to 148,883,374 Consideration Shares to settle part of the Pro-rata Consideration
“STNV”	Shun Tak Nam Van Investment Limited (formerly known as Pat Soi, Limitada), a company incorporated in Macau with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	D2 Land Company, D5 Land Company and Hei Keng Van, and “Target Company” shall refer to any of them
“Target Shares”	the entire share capital of each of the Target Companies
“%”	percent

*In this circular, unless the context otherwise requires, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.*

*Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments.*

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LETTER FROM THE BOARD

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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>**

*Directors:*

Dr. Stanley Ho (*Group Executive Chairman*)

Mr. Norman Ho\*\*

Mr. Charles Ho\*\*

Mr. Michael Ng\*\*

Mr. Kevin Yip\*\*

Mrs. Louise Mok\*

Ms. Pansy Ho (*Managing Director*)

Ms. Daisy Ho (*Deputy Managing Director*)

Ms. Maisy Ho

Mr. David Shum

Mr. Rogier Verhoeven

*Registered Office:*

Penthouse 39th Floor

West Tower, Shun Tak Centre

200 Connaught Road Central

Hong Kong

\* *Non-Executive Director*

\*\* *Independent Non-Executive Director*

29 November 2016

*To the Shareholders,*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO PROPOSED TRANSFER**

**INTRODUCTION**

Reference is made to the SPA Announcements. Under the SPA, STNV conditionally agreed to acquire and Sai Wu conditionally agreed to sell the entire issued share capital of certain companies which were expected to hold the land development rights in respect of four property sites in the Nam Van District, Macau (referred to as Lots D2, D3, D4 and D5, and collectively known as **Site D**) with a total developable gross floor area of not less than 2,700,000 square feet. The total consideration



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## LETTER FROM THE BOARD

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under the SPA is HK\$1,500 million, of which HK\$500 million has been paid to Sai Wu as deposit (the **Deposit**), and the balance shall be satisfied on completion of the SPA by cash payment of HK\$250 million and the issuance of 148,883,374 new Shares at an issue price of approximately HK\$5.0375 per Share. The SPA has been approved by the Independent Shareholders on 6 January 2005 in compliance with the Listing Rules. While the SPA has remained uncompleted and the long stop date for completion of the SPA has been extended to 31 December 2016 pending the finalisation by the Macau Government of the master plan for the development of the Nam Van District (of which Site D comprises a portion), the concession rights of Lot D2 and Lot D5 (being two of the four subject matters of the SPA) have expired on 30 July 2016, whereas Lots D3 and D4 are still held by the Macau Government for its own use and no concession rights have yet been granted by the Macau Government in respect thereof. Therefore, it is expected that the concession rights in respect of Lot D3 and Lot D4 are unlikely to be obtained by Sai Wu or other relevant parties to the SPA.

As the extended long stop date for completion of the SPA (being 31 December 2016) is approaching but the Macau Government still has not finalised the master plan for the development of the Nam Van District (including Site D), STNV, the Company and Sai Wu (all being parties to the SPA), after arm's length negotiations, entered into the Agreement on 1 November 2016 for the purposes of (i) further extending the long stop date of the SPA and (ii) the Proposed Transfer comprising the transfer to STNV of the Target Companies (which hold Lot D2, Lot D5 and a promissory land right) and the assignment of the Sai Wu Promissory Land Rights to STNV, together with a mechanism for STNV and the Company to directly engage in negotiations with the Macau Government (or other relevant parties) in order to obtain Replacement Site(s) that are favourable and acceptable to the Company.

The purpose of this circular is to provide you with, among other things, (i) further information in relation to the Agreement and the Proposed Transfer; (ii) the letter from the Independent Board Committee; (iii) the letter from the IFA; (iv) the Property Valuation Report; (v) the general market briefing in Macau; (vi) the notice of the General Meeting; and (vii) other information as required under the Listing Rules.

### THE AGREEMENT

The principal terms of the Agreement are set out as follows:

#### Date

1 November 2016

#### Parties

- (1) Sai Wu
- (2) STNV
- (3) the Company

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## LETTER FROM THE BOARD

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### **Extension of the SPA**

Reference is made to the circular of the Company dated 17 December 2004, which contains, among other things, details of the SPA. The SPA was approved by independent shareholders of the Company in the general meeting of the Company held on 6 January 2005.

Pursuant to the Agreement, the long stop date of the SPA shall be extended to the date on which any of the following shall first take place: (i) STNV delivers the Non-Completion Notice (as defined below) to Sai Wu and Dr. Ho; or (ii) all payments for the Pro-rata Consideration (as defined below) have been made by STNV to Dr. Ho (as per the instructions of Sai Wu); or (iii) STNV delivers the Revocation Notice (as defined below) to Sai Wu and Dr. Ho, and in any event, on or before the end of 10 years of the date of the Agreement (being 31 October 2026).

The purpose of extending the long stop date of the SPA, in parallel with the additional arrangements under the Proposed Transfer, is to maintain the validity of the SPA such that in case STNV does not obtain any Replacement Site(s) (including but not limited to renewal of the concession rights of Lot D2 and Lot D5) to its satisfaction under the Proposed Transfer, STNV would be entitled to request Sai Wu to return the Deposit paid by STNV under the SPA.

### **Proposed Transfer and grant of authority to negotiate**

Sai Wu is the beneficiary and legitimate titleholder of the Sai Wu Promissory Land Rights and the representative of each and all of the shareholders (i.e. the Original Shareholders) of the Target Companies, namely D2 Land Company (holder of the leasehold grant of Lot D2), D5 Land Company (holder of the leasehold grant of Lot D5) and Hei Keng Van, in respect of the Proposed Transfer. Sai Wu does not have any shareholding interest in the Target Companies, but certain directors of Sai Wu are also directors of the Target Companies. To the best of the Director's knowledge, information and belief having made all reasonable enquiry, the ultimate beneficial owners of the Target Companies are third parties independent of the Company and its connected persons.

Under the Agreement, in consideration of STNV's forbearance to claim against Sai Wu in respect of Sai Wu's obligations and liabilities under the SPA (save and except for its obligation to return the Deposit paid by STNV under the SPA), Sai Wu has agreed to (i) as the beneficiary and legitimate titleholder, assign to STNV the Sai Wu Promissory Land Rights and (ii) as the representative of each of the Original Shareholders, procure the transfer to STNV of the Target Shares and grant or procure the grant of authority to STNV to directly negotiate on behalf of Sai Wu and the Target Companies in relation to the land sites and the promissory land rights held or to be held by them with a view to obtaining Replacement Site(s) that are acceptable to STNV (i.e. the Proposed Transfer). Please refer to the paragraph headed "Information on the Target Companies and the Sai Wu Promissory Land Rights" below for the details of the subject matters of the Proposed Transfer.

Upon completion of the foregoing negotiations: (i) if STNV, itself or through the Target Companies, obtains Replacement Site(s) to its satisfaction, STNV shall pay the Pro-rata Consideration in accordance with the terms and conditions of the Agreement whereupon the SPA will lapse simultaneously; or (ii) if STNV does not obtain any Replacement Site(s) to its satisfaction, STNV may revoke the Proposed Transfer and request Sai Wu to return the Deposit paid by STNV under the SPA.

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## LETTER FROM THE BOARD

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### *Pre-Completion obligations*

Prior to Completion and within fourteen days from the date of the Agreement, Sai Wu shall (i) procure the delivery to STNV of power of attorney granted by itself and each of the Target Companies in favour of STNV (the **Target Companies' POA**) whereby STNV, as the attorney of Sai Wu and the Target Companies, is granted full powers to act in the name and on behalf of Sai Wu and the Target Companies in, among others, exercising any and all of their rights or legal entitlements in relation to any real estate properties held or to be held by Sai Wu and the Target Companies; and (ii) deliver to STNV power of attorney granted by itself in favour of STNV (the **Sai Wu's POA**) whereby STNV, as its attorney in connection with the Sai Wu Promissory Land Rights, is granted the powers to, among others, approve and sign any agreements, and make any submissions, filings or applications on behalf of Sai Wu to obtain any necessary consent, authorisation or permit, for the transfer or assignment of all or part of the Sai Wu Promissory Land Rights as well as of any land rights that may be granted to Sai Wu as result of the exercise and delivery of the Sai Wu Promissory Land Rights.

Prior to Completion, Sai Wu shall execute or procure each of the Original Shareholders to execute and deposit with designated lawyers (the **Designated Lawyers**), as applicable, (i) a power of attorney in favour of STNV whereby STNV, as the attorney of the Original Shareholders, is granted, among others, the powers to approve and sign any documents for the transfer and endorsement of all or part of the Target Shares and to represent the Original Shareholders in respect of any issue regarding the business of the Target Companies before the Macau Government and any public or private entity; (ii) an instrument of assignment in respect of the Sai Wu Promissory Land Rights; (iii) a declaration pursuant to which the Original Shareholders undertake to abstain from competing with STNV in respect of the object of the relevant land concession contract(s) and/or of the rights to receive new land concession rights which are or may be attributable to the Target Companies; (iv) share certificates representing the entire share capital of the Target Companies; and (v) the book of registration of shares of each of the Target Companies (collectively, the **Original Shareholders' Documents**).

### *Conditions*

Completion of the Agreement is conditional on the fulfilment of the following conditions (collectively, the **Conditions**):

- (a) due diligence on the Sai Wu Promissory Land Rights and the Target Companies being completed to STNV's satisfaction;
- (b) the approvals from the Board and the Independent Shareholders being obtained in accordance with all applicable laws and regulations, including but not limited to the Listing Rules in relation to the Agreement and the transactions contemplated therein (including the grant of the Specific Mandate and the listing of, and permission to deal in, the Consideration Shares); and
- (c) the Original Shareholders' Documents having been deposited with the Designated Lawyers.

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## LETTER FROM THE BOARD

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STNV shall have the right to waive Condition (c) above. If STNV elects not to proceed to Completion, the Agreement shall be deemed to have no effect and Sai Wu and Dr. Ho shall, within seven days after receiving a written notice from STNV (the **Non-Completion Notice**), return the Deposit to STNV but without prejudice to any other rights under the SPA.

### *Completion*

Completion shall take place within five Business Days after all Conditions have been fulfilled or waived by STNV.

At Completion, (i) the Designated Lawyers shall deliver the Original Shareholders' Documents to STNV; (ii) Sai Wu shall deliver to STNV such other books and documents of each of the Target Companies as legally necessary to establish the full ownership of their respective capital and full management of each of the Target Companies; and (iii) STNV shall deliver to Sai Wu a declaration of release pursuant to which STNV and the Company, among others, completely release and waive any and all claims against certain Original Shareholders which they have or may acquire thereafter arising out of the SPA.

Upon Completion, STNV and the Company will be given the standing and full powers to act in the name and on behalf of the Sai Wu and the Target Companies to directly engage in negotiations with the Macau Government (or other relevant parties). For the avoidance of doubt, Completion is not subject to STNV having properly obtained any Replacement Site(s) to its satisfaction. Such arrangement is in the interests of the Company and the Shareholders by enabling the Company to take an active role in the process of negotiating for and obtaining Replacement Site(s) or other land concession rights that are most favourable and acceptable to the Company as a whole.

The Company may have to bear the costs that may be incurred during the course of negotiations with the Macau Government (or other relevant parties), including but not limited to costs arising from legal proceedings, if any, against or otherwise involving the Macau Government.

### *Payment of Pro-rata Consideration if STNV successfully obtains one or more Replacement Sites to its satisfaction*

In the event that Completion has taken place and thereafter, STNV successfully obtains one or more Replacement Sites to its satisfaction, STNV shall, within seven days from the publication of the relevant concession contract in the Macau Official Gazette in respect of any Replacement Site(s) accepted by STNV, serve a written notice (the **Payment Notice**) to Sai Wu and Dr. Ho and pay to Dr. Ho (as per the instructions of Sai Wu) a consideration (the **Pro-rata Consideration**) calculated in the following manner:

$$\text{PRC} = (\text{SPAC} / \text{SPAGFA}) * \text{NGFA}$$

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## LETTER FROM THE BOARD

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Where:

**PRC** is the Pro-rata Consideration

**SPAC** is the consideration under the SPA (i.e. HK\$1,500,000,000)

**SPAGFA** is the developable gross floor area of Site D as envisaged under the SPA (i.e. 2,700,000 square feet)

**NGFA** is the new developable gross floor area attributed to the Replacement Site(s) in question

Pursuant to the Agreement, the Pro-rata Consideration is subject to a maximum amount of HK\$1,500 million in aggregate, which has been agreed upon among the parties to the Agreement with reference to the amount of the consideration under the SPA. For the reasons set out in the paragraph headed “Reasons for and benefits of entering into of the Agreement” (see sub-paragraph (b) below), the Board considers that the Pro-rata Consideration is fair and reasonable and favourable for the Company as a whole.

The payment of the Pro-rata Consideration shall be effected in the following manner:

- (a) the first HK\$500 million payable as Pro-rata Consideration shall be set-off against the Deposit paid by STNV under the SPA;
- (b) the next HK\$500 million, or any part thereof, payable as Pro-rata Consideration shall be satisfied by one or more allotment(s) and issue(s) of up to 99,255,583 Shares credited as fully paid to Alpha Davis (being Sai Wu’s nominee to receive consideration shares in the SPA) at HK\$5.0375 per Share, being the issue price for issuance of consideration shares in the SPA (the **Issue Price**); and
- (c) any subsequent Pro-rata Consideration payment(s) (if any) shall be satisfied by a combination of cash payment (the maximum amount of which being HK\$250 million) and allotment and issue of Shares (the maximum number of which being 49,627,791 Shares) in the manner described in paragraph (b) above in the proportion of 50:50.

For the avoidance of doubt, the Pro-rata Consideration will only become payable by STNV when STNV is satisfied with and has duly obtained the Replacement Site(s) and the relevant concession contract(s) has/have been published in the Macau Official Gazette. In the event that the total developable gross floor area of the Replacement Site(s) is larger than 2,700,000 square feet, the amount of Pro-rata Consideration payable by STNV will still be capped at HK\$1,500 million. Despite the cap on the total amount of Pro-rata Consideration, the Company and STNV will not be restricted from obtaining any Replacement Site(s) of a total developable gross floor area of over 2,700,000 square feet. Subject to the final terms and conditions of the grant of the Replacement Site(s), additional land premium may be payable by STNV or the Target Companies to the Macau Government if the total developable gross floor area or the permitted land uses of the Replacement Site(s) obtained by them is different from that of Lot D2, Lot D5 and the land sites surrendered by Hei Keng Van and Sai Wu (i.e. Lot B/l and Lot B/g). In deciding whether to accept a land site proposed to be granted

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## LETTER FROM THE BOARD

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as a Replacement Site, the Company will take into account, among others, the location, site area, developable gross floor area, permitted land uses and prevailing market value of the relevant land site. In particular, the Company will only accept Replacement Site(s) of which the prevailing market value per square feet, determined based on independent property valuation, is HK\$556 or more.

The Issue Price of HK\$5.0375 per Consideration Share is equal to the issue price for issuance of the consideration shares pursuant to the terms of the SPA and represents:

- (a) a premium of approximately 92.27% to the closing price of the Shares of HK\$2.62 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 88.67% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$2.67 per Share;
- (c) a premium of approximately 71.34% to the closing price of the Shares of HK\$2.94 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (d) a discount of approximately 51.09% over the audited consolidated net asset value of the Company per Share in issue as at 31 December 2015.

Based on the maximum amount of the Pro-rata Consideration of HK\$1,500 million, the Company would be required to pay up to HK\$250 million in cash (after setting off against the Deposit) and to allot and issue up to 148,883,374 Shares in respect of the Proposed Transfer (representing approximately 4.89% of the existing issued Shares and approximately 4.67% of the enlarged issued Shares immediately after the issue of such 148,883,374 Shares). The Company will seek the grant of a specific mandate from the Independent Shareholders at the General Meeting for the allotment and issue of up to 148,883,374 Shares. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

*Possible Revocation if STNV is unsuccessful in obtaining any Replacement Site(s) to its satisfaction*

In the event that Completion has taken place and thereafter, STNV is unsuccessful in obtaining any Replacement Site(s) to its satisfaction, STNV may elect to revoke the Proposed Transfer (the **Possible Revocation**) by delivering a written notice to Sai Wu and Dr. Ho (the **Revocation Notice**) in accordance with the Agreement. Sai Wu shall return the Deposit to STNV within seven days after receipt of the Revocation Notice and upon receipt of the Deposit, STNV shall return to Sai Wu the Target Companies' POA, the Sai Wu's POA, the Original Shareholders' Documents and such other books and documents of each of the Target Companies received from Sai Wu to establish the full ownership of their respective capital and full management of each of the Target Companies.

Pursuant to the Agreement, either the Payment Notice or the Revocation Notice shall be served by STNV within 10 years from the date of the signing of the Agreement, failing which STNV shall be deemed to have served the Revocation Notice to Sai Wu and Dr. Ho.

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## LETTER FROM THE BOARD

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STNV will only serve the Payment Notice after it has obtained Replacement Site(s) to its satisfaction. It is anticipated that the Macau Government may grant one or more Replacement Sites at different stages in respect of the Sai Wu Promissory Land Rights and the rights of the Target Companies. In the event that STNV has obtained one or more Replacement Sites to its satisfaction and has served the Payment Notice before the end of 10 years of the date of the Agreement but the aggregate amount of the Pro-rata Consideration paid or payable by STNV in respect of the Replacement Site(s) obtained is less than the amount of the Deposit (i.e. HK\$500 million), STNV will have a right to claim back from Dr. Ho and Sai Wu such difference.

The Board considers that it is in the interests of the Company and the Shareholders as a whole to have a 10-year validity period for the Agreement as the Proposed Transfer involves four land sites and it is expected that it will take time for the Company to finalise the negotiation process with the Macau Government before the grant of any Replacement Site(s), which might be subject to or otherwise affected by change in policies on zoning, land use planning, land repossession and grant of land concession of the Macau Government.

### PROPERTY VALUATION REPORT

In connection with the Proposed Transfer, the Company has appointed the Property Valuer to value the market value as at 4 November 2016 of four land sites in Macau, namely Lot D2, Lot D5 and two other land sites referred to as Lot N25 and Lot 12 (A2/G), the details of which have been set out in the Property Valuation Report in Appendix I to this circular.

In respect of the selection of the four land sites as the subject matters of the Property Valuation Report:

- (a) Lot D2 and Lot D5 are selected because D2 Land Company and D5 Land Company are currently the respective holder of the leasehold grant thereof. Although the concession rights of Lot D2 and Lot D5 have expired on 30 July 2016, the Macau Government had not yet published any specific dispatch in the Macau Official Gazette in relation to the re-entering of Lot D2 and Lot D5, and therefore Lot D2 and Lot D5 remain registered under the ownership of D2 Land Company and D5 Land Company, respectively. D2 Land Company and D5 Land Company have been requesting the Macau Government for an extension of the concession rights for Lot D2 and Lot D5;
- (b) in relation to the Sai Wu Promissory Land Rights and the promissory land rights held by Hei Keng Van, as stated in the Dispatches no. 35/2004 and 36/2004, respectively, as published in the Macau Official Gazette, the Macau Government promised to grant to Sai Wu and Hei Keng Van, respectively, land sites with similar developable gross floor area and construction capacity in replacement of Lot B/l and Lot B/g surrendered to the Macau Government. As Lot B/l and Lot B/g had been granted by the Macau Government to and are currently occupied by other parties, Lot B/l and Lot B/g will not be selected as Replacement Sites in any event, and therefore a valuation on Lot B/l and Lot B/g would not be meaningful for the purpose of assessing the valuation of possible Replacement Site(s); and

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## LETTER FROM THE BOARD

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- (c) Lot N25 and Lot 12 (A2/G) are selected by the Company because they have very similar characteristics as Lot B/l and Lot B/g and as considered by the Property Valuer, Lot N25 and Lot 12 (A2/G) are the only two land sites in Macau which, based on existing circumstances in terms of location, site area, permitted land uses and developable gross floor area under the terms and conditions of the relevant land concession document(s), are comparable with Lot B/l and Lot B/g and therefore have the potential to be granted by the Macau Government as Replacement Sites in connection with the Sai Wu Promissory Land Rights and the promissory land rights held by Hei Keng Van. As such, the valuation of Lot N25 and Lot 12 (A2/G) offers a meaningful assessment of the valuation of possible Replacement Site(s).

Please see below certain information on each of Lot D2, Lot D5, Lot N25 and Lot 12 (A2/G) and refer to the Property Valuation Report as set out in Appendix I to this circular for more details:

Lot D2	Location:	Avenida Dr. Sun Yat-Sen, Baía da Praia Grande — Zona D — Lote D2, Macau
	Site area:	8,523 square meters
	Land uses: (Gross floor area)	Hotel: 80,200 square meters (863,273 square feet) Car park: 10,020 square meters (107,855 square feet)
Lot D5	Location:	Avenida Dr. Sun Yat-Sen, Baía da Praia Grande — Zona D — Lote D5, Macau
	Site area:	3,307 square meters
	Land uses: (Gross floor area)	Residential: 27,560 square meters (296,656 square feet) Car park: 4,140 square meters (44,563 square feet)
Lot N25	Location:	Zona dos Novos Aterros do Porto Exterior (NAPE) N°S/N Todos os Pontos Cardeais — Vias Projectadas — Lote “N25”, Macau
	Site area:	6,480 square meters
	Land uses: (Gross floor area)	Residential: 17,624 square meters (189,705 square feet) Commercial: 4,858 square meters (52,292 square feet) Hotel: 42,178 square meters (454,004 square feet) Covered car park: 7,350 square meters (79,115 square feet)
Lot 12 (A2/G)	Location:	Zona dos Novos Aterros do Porto Exterior (NAPE) N°S/N — Lote 12 (A2/G), Macau
	Site area:	6,480 square meters
	Land uses: (Gross floor area)	Commercial: 5,920 square meters (63,723 square feet) Residential: 35,248 square meters (379,409 square feet) Car park: 8,372 square meters (90,116 square feet)



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## LETTER FROM THE BOARD

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Total developable gross floor area (excluding the gross floor area attributable to car parks of 321,649 square feet in aggregate) of the above four parcels of land is 2,299,062 square feet.

While (i) D2 Land Company and D5 Land Company have been requesting the Macau Government for an extension of the concession rights for Lot D2 and Lot D5; and (ii) the Company has, based on existing circumstances, identified Lot N25 and Lot 12 (A2/G) to have the potential to be granted by the Macau Government as Replacement Sites, the final selection of the Replacement Site(s) is subject to the negotiations with the Macau Government (or other relevant parties), governmental land zoning policies at the prevailing time and other factors, and therefore the Replacement Site(s) may be land site(s) other than Lot N25 and Lot 12 (A2/G). In deciding whether to accept a land site propose to be granted as a Replacement Site, the Company will take into account, among others, the location, site area, developable gross floor area, permitted land uses and prevailing market value of the relevant land site. In particular, the Company will only accept Replacement Site(s) of which the prevailing market value per square feet, determined based on independent property valuation, is HK\$556 or more. The Company will issue further announcement(s) to update the Shareholders in respect any Replacement Site(s) obtained, setting out, among other things, details of the Replacement Site(s) obtained and the actual amount of Pro-rata Consideration payable (whether in cash, by Consideration Shares or both) in respect thereof and independent property valuation of such Replacement Site(s) obtained as soon as practicable after the publication of the relevant concession contract(s) in the Macau Official Gazette.

### REASONS FOR AND BENEFITS OF ENTERING INTO OF THE AGREEMENT

As mentioned in the SPA Announcements, the Macau Government has been formulating the master plan for development of the Nam Van District, within which Site D is located, and additional time is required for the master plan to be finalised. As a result, the long stop date of the SPA has been extended since 2004 and the SPA has remained uncompleted. In the meantime, the concession rights of Lot D2 and Lot D5 (being two of the four subject matters of the SPA) have expired on 30 July 2016.

Given this situation, the Company, STNV and Sai Wu entered into the Agreement to (i) further extend the long stop date of the SPA and (ii) make additional arrangements between the parties to the SPA (including the Proposed Transfer). The Directors (excluding the Abstained Directors) considered the proposed transactions to be in the interests of the Company and the Shareholders as a whole for the following reasons:

- (a) it was noted that the concession rights of Lot D2 and Lot D5 have expired on 30 July 2016, and the Macau Government has not yet fulfilled its promise in respect of the Sai Wu Promissory Land Rights and the promissory land rights held by Hei Keng Van, respectively. By virtue of the Agreement, the Company will be given full powers under the Target Companies' POA and the Sai Wu's POA to act in the name and on behalf of Sai Wu and the Target Companies to directly engage in negotiations with the Macau Government (or other relevant parties). This will enable the Company to take an active role in the process of obtaining relevant approvals or land concession rights that are favourable and acceptable to the Company as a whole;

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## LETTER FROM THE BOARD

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- (b) the Pro-rata Consideration payable by STNV under the Agreement, which will be calculated based on the same price per developable gross floor area agreed by the parties to the SPA in 2004 (being approximately HK\$556 per square feet) and in any event is subject to a maximum amount of HK\$1,500 million, represents a significant commercial opportunity provided to the Company for the following reasons:
- (i) as set out in the Property Valuation Report in Appendix I to this circular, assuming that the concession rights for Lot D2 and Lot D5 are renewed and Lot N25 and Lot 12 (A2/G) are granted to STNV as Replacement Sites, the aggregate market value of the four parcels of land as at 4 November 2016 were HK\$5,923 million, which is almost 4 times of the maximum amount of the Pro-rata Consideration; and
  - (ii) as set out in the general briefing in Appendix II to this circular on the current property market in Macau prepared by the Property Valuer, (i) for development sites in Macau (including Macau Peninsula, Taipa and Coloane) in general, the estimated accommodation value is approximately HK\$3,500 to HK\$5,500 per square feet for residential development sites and approximately HK\$1,500 to HK\$3,000 per square feet for composite development sites (including residential, commercial and hotel uses); and (ii) for development sites in Zone C and Zone D in Nam Van, Macau (being the areas in which Lot D2 and Lot D5 are located) in particular, the estimated accommodation value is approximately HK\$4,500 to HK\$5,500 per square feet for residential development sites and approximately HK\$2,500 to HK\$3,000 per square feet for composite development sites (including residential, commercial and hotel uses) — in any case the accommodation value is significantly higher than the Pro-rata Consideration of approximately HK\$556 per square feet; and
- (c) if the Company is successful in obtaining the Replacement Site(s) to its satisfaction, the Group's land bank in Macau will be significantly increased, and the value of the Group's existing Macau property portfolio will be enhanced. On the other hand, if the Company is unsuccessful in obtaining any Replacement Site(s) to its satisfaction, it retains under the Agreement the flexibility to revoke the Proposed Transfer and secure the return of the Deposit by Sai Wu.

The Directors (excluding the Abstained Directors) are also of the view that the terms of the Agreement have been reached after arm's length negotiations among the parties and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### EFFECT OF THE ISSUE OF THE CONSIDERATION SHARES ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming that Completion takes place and STNV is required to pay the maximum amount of the Pro-rata Consideration under the Agreement, the Consideration Shares to be allotted and issued by the Company to Alpha Davis will constitute approximately 4.89% of the existing issued Shares and approximately 4.67% of the enlarged issued Shares immediately after the issue of all of the Consideration Shares.

Details of the shareholding structure of the Company as at the Latest Practicable Date and immediately after the issue of the maximum amount of Consideration Shares (assuming that there is no other change to the shareholding structure of the Company) are set out below:

	<b>Issued Shares</b>			
	<b>Issued Shares as at the Latest Practicable Date</b>	<b>immediately after issue of all Consideration Shares</b>		
	<i>(no. of Shares)</i>	<i>%</i>	<i>(no. of Shares)</i>	<i>%</i>
Alpha Davis	0	0.00%	148,883,374	4.67%
Dr. Ho	1,798,559	0.06%	1,798,559	0.06%
Mrs. Louise Mok	471,112	0.02%	471,112	0.01%
Ms. Pansy Ho	525,664,564	17.28%	525,664,564	16.47%
Ms. Daisy Ho	220,639,816	7.25%	220,639,816	6.91%
Ms. Maisy Ho	70,618,215	2.32%	70,618,215	2.21%
Renita Investments Limited and its subsidiary	500,658,864	16.46%	500,658,864	15.69%
Shun Tak Shipping Company, Limited and its subsidiaries	373,578,668	12.28%	373,578,668	11.71%
Megaprosper Investments Limited	65,040,000	2.14%	65,040,000	2.04%
Others	1,283,995,987	42.19%	1,283,995,987	40.23%
<b>Total</b>	<u>3,042,465,785</u>	<u>100%</u>	<u>3,191,349,159</u>	<u>100%</u>

### INFORMATION ON THE TARGET COMPANIES AND THE SAI WU PROMISSORY LAND RIGHTS

Each of D2 Land Company, D5 Land Company and Hei Keng Van is a company incorporated in Macau whose sole business and asset are holding the respective leasehold grant or promissory land rights as set out below:

D2 Land Company holds the leasehold grant of Lot D2 located in Nam Van, Macau. D5 Land Company holds the leasehold grant of Lot D5 also located in Nam Van, Macau. The concession rights of both Lot D2 and Lot D5 have expired on 30 July 2016.

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## LETTER FROM THE BOARD

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Hei Keng Van is the beneficiary and legitimate titleholder of the promissory land rights granted by the Macau Government pursuant to Dispatch no. 36/2004 as published in the Macau Official Gazette of 14 April 2004 that entitles it to, in replacement of a land site with a site area of 6,480 square metres located in District B of the Nam Van District, Macau (known as Lot B/1) previously surrendered by it to the Macau Government, obtain leasehold grant of one or more land sites in Districts C and D of the Nam Van District, Macau or land sites with similar developable gross floor area and construction capacity.

The Sai Wu Promissory Land Rights to be assigned to STNV is the right granted by the Macau Government to Sai Wu pursuant to Dispatch no. 35/2004 as published in the Macau Official Gazette of 14 April 2004 that entitles Sai Wu to, in replacement of a land site with a site area of 6,480 square metres located in District B of the Nam Van District, Macau (known as Lot B/g) previously surrendered by it to the Macau Government, obtain leasehold grant of one or more land sites in Districts C and D of the Nam Van District, Macau or land sites with similar developable gross floor area and construction capacity.

### **Financial information of the Target Companies**

Set out below is certain unaudited financial information of the Target Companies for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016:

#### *D2 Land Company*

D2 Land Company did not incur any profit or loss for the year ended 31 December 2014 and incurred a net loss before and after taxation of MOP278,470.75 for the year ended 31 December 2015. The net asset value of D2 Land Company as at 30 June 2016 was MOP426,567.55.

#### *D5 Land Company*

D5 Land Company did not incur any profit or loss for the year ended 31 December 2014 and incurred a net loss before and after taxation of MOP120,545.99 for the year ended 31 December 2015. The net asset value of D5 Land Company as at 30 June 2016 was MOP742,537.11.

#### *Hei Keng Van*

Hei Keng Van did not incur any profit or loss for the year ended 31 December 2014 and incurred a net loss before and after taxation of MOP2,020.00 for the year ended 31 December 2015. The net asset value of Hei Keng Van as at 30 June 2016 was MOP966,425.00.

The total original cost of the Sai Wu Promissory Land Rights and the Target Companies to Sai Wu was HK\$1,350 million.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE PARTIES

The Company is an investment holding company and its subsidiaries are engaged in a number of business activities including property development, investment and management, hospitality, transportation and investment. STNV is a company incorporated in Macau and an indirect wholly-owned subsidiary of the Company.

Sai Wu is a company incorporated in Macau owned as to 60% by Dr. Ho and 40% by other independent third parties as at the Latest Practicable Date, and is the beneficiary and legitimate titleholder of the Sai Wu Promissory Land Rights.

### LISTING RULES IMPLICATIONS

As mentioned in the SPA Announcements, as (i) one or more of the applicable percentage ratios in respect of the transactions under the SPA were over 5% but below 25% and (ii) Sai Wu is a connected person of the Company by virtue of it being a company controlled by Dr. Ho (the Group Executive Chairman and an executive Director of the Company), the entering into of the SPA constituted a discloseable and connected transaction of the Company and were subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

As the Agreement involves certain additional arrangements between the parties to the SPA, pursuant to Rule 14.36 of the Listing Rules, the Company is required to re-comply with the reporting, announcement and independent shareholders' requirements under Chapters 14 and 14A of the Listing Rules in respect of the entering into of the Agreement.

In respect of the Proposed Transfer, as (i) one or more of the applicable percentage ratios (calculated based on the maximum amount of the Pro-rata Consideration, being HK\$1,500 million) exceed(s) 5% but is/are less than 25%, and (ii) Sai Wu is a connected person of the Company for the reason stated above, the Proposed Transfer constitutes a discloseable and connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

### GENERAL MEETING

The General Meeting will be held at Golden Restaurant, Macau Jockey Club (HK) Club House, 1st Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Wednesday, 14 December 2016 at 2:30 p.m., for the Independent Shareholders to consider and, if thought fit, pass the resolutions to approve the Agreement (including the Proposed Transfer, the payment of the Pro-rata Consideration and the Possible Revocation) and the proposed grant of the Specific Mandate. In compliance with the Listing Rules, the resolutions will be voted on by way of poll at the General Meeting.

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## LETTER FROM THE BOARD

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Dr. Ho, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho, Mrs. Louise Mok and Shun Tak Shipping Company, Limited and its subsidiaries and their respective associates, including Renita Investments Limited and its subsidiary, and Megaprosper Investments Limited (together holding 1,758,469,798 Shares, being approximately 57.81 % of the total issued Shares as at the Latest Practicable Date) are required to abstain from voting on the resolutions to be proposed at the General Meeting. Save as disclosed, to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Agreement and therefore would be required to abstain from voting on the relevant resolutions to be proposed at the General Meeting.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, apart from the Abstained Directors who have abstained from voting on the Board resolutions approving the Agreement and the transactions contemplated thereunder in view of their respective interests in the Agreement, no other Directors were in any way materially interested in the Agreement and the transactions contemplated thereunder.

The Independent Board Committee has been formed to consider and advise the Independent Shareholders on the Agreement (including the Proposed Transfer, the payment of the Pro-rata Consideration and the Possible Revocation) and the proposed grant of the Specific Mandate. The Company has appointed Optima Capital Limited as the IFA to advise the Independent Board Committee and the Independent Shareholders on the Agreement (including the Proposed Transfer, the payment of the Pro-rata Consideration and the Possible Revocation) and the proposed grant of the Specific Mandate.

You will find enclosed a form of proxy for use at the General Meeting. Whether or not you intend to attend the General Meeting or any adjournment thereof, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registered office of the Company at Penthouse 39th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong, not less than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof if you so wish.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed on Tuesday, 13 December 2016 and Wednesday, 14 December 2016, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 12 December 2016.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 22 and 23 of this circular. The Independent Board Committee, having taken into account the advice of the IFA, text of which is set out on pages 24 to 42 of this circular, considers that the terms of the Agreement (including the Proposed Transfer, the payment of the Pro-rata Consideration and the Possible Revocation) and the proposed grant of the Specific Mandate are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the General Meeting to approve the Agreement (including the Proposed Transfer, the payment of the Pro-rata Consideration and the Possible Revocation) and the proposed grant of the Specific Mandate.

The Directors (excluding the Abstained Directors) are of the view that the terms of the Agreement (including the Proposed Transfer, the payment of the Pro-rata Consideration and the Possible Revocation) have been reached after arm's length negotiations among the parties and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the General Meeting to approve the Agreement (including the Proposed Transfer, the payment of the Pro-rata Consideration and the Possible Revocation) and the proposed grant of the Specific Mandate.

### ADDITIONAL INFORMATION

Your attention is drawn to the further information contained in the appendices to the circular and the notice of General Meeting set out at the end of this circular.

### WARNING

**SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD BE AWARE THAT THE AGREEMENT IS SUBJECT TO SATISFACTION OF A NUMBER OF CONDITIONS, AND MAY OR MAY NOT PROCEED. ACCORDINGLY, SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES OF THE COMPANY.**

Yours faithfully,  
For and on behalf of the Board  
**Shun Tak Holdings Limited**  
**Pansy Ho**  
*Managing Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in connection with the Agreement (including the Proposed Transfer, the payment of the Pro-rata Consideration and the Possible Revocation) and the proposed grant of the Specific Mandate for inclusion in this circular.*

**信德集團**



**SHUN TAK HOLDINGS**

**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>**

29 November 2016

*To the Independent Shareholders,*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO PROPOSED TRANSFER**

We refer to the circular dated 29 November 2016 issued by the Company, of which this letter forms part (the “**Circular**”). Unless otherwise specified, capitalised terms defined in the Circular shall have the same meanings when used herein.

The Independent Board Committee has been formed to advise you in relation to the Agreement (including the Proposed Transfer, the payment of the Pro-rata Consideration and the Possible Revocation) and the proposed grant of the Specific Mandate, details of which are set out in the section headed “Letter from the Board” contained in the Circular. Optima Capital Limited has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders in this regard. The text of the letter of advice from the IFA containing its recommendations and the principal factors it has taken into account in arriving at its recommendations are set out on pages 24 to 42 of the Circular.

Having considered the terms and conditions of the Agreement, as well as the advice and recommendations of the IFA set out in its letter of advice, we consider that despite the Agreement (including the Proposed Transfer, the payment of the Pro-rata Consideration and the Possible Revocation) and the proposed grant of the Specific Mandate are outside the ordinary and usual course of business of the Company, the objective thereof is to develop the Group’s principal business and is in line with the business strategy of the Group, and that they are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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On the basis above, we recommend that the Independent Shareholders vote in favour of the resolutions approving the Agreement (including the Proposed Transfer, the payment of the Pro-rata Consideration and the Possible Revocation) and the proposed grant of the Specific Mandate at the General Meeting.

Yours faithfully,

For and on behalf of

**the Independent Board Committee of**

**Shun Tak Holdings Limited**

**Mr. Norman Ho, Mr. Charles Ho, Mr. Michael Ng and Mr. Kevin Yip**

*Independent Non-Executive Directors*

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## LETTER FROM OPTIMA CAPITAL

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*The following is the letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



Suite 1501, 15th floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

29 November 2016

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO PROPOSED TRANSFER**

#### **INTRODUCTION**

We refer to our appointment as the IFA to advise the Independent Board Committee and the Independent Shareholder in relation to the Agreement entered into among STNV, the Company and Sai Wu in respect of (i) the extension of the long stop date of the SPA; and (ii) the Proposed Transfer and the grant of authority to STNV to directly negotiate on behalf of Sai Wu and the Target Companies in relation to the land sites and the promissory land rights held or to be held by them with a view to obtaining Replacement Site(s) that are acceptable to STNV. Details of the Agreement are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 29 November 2016 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise specified.

The Company, STNV and Sai Wu entered into the Agreement on 1 November 2016. As the Agreement involves certain additional arrangements between the parties to the SPA, pursuant to Rule 14.36 of the Listing Rules, the Company is required to re-comply with the reporting, announcement and Independent Shareholders’ approval requirements under Chapters 14 and 14A of the Listing Rules in respect of the entering into of the Agreement.

In respect of the Proposed Transfer contemplated under the Agreement, as (i) one or more of the applicable percentage ratios (calculated based on the maximum amount of the Pro-rata Consideration, being HK\$1,500 million) exceed(s) 5% but is/are less than 25%; and (ii) Sai Wu is a connected person of the Company by virtue of it being a company controlled by Dr. Ho (the Group Executive Chairman and an executive Director of the Company), the Proposed Transfer constitutes a discloseable and connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapters 14 and 14A of the Listing Rules.

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## LETTER FROM OPTIMA CAPITAL

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The Independent Board Committee, comprising Mr. Norman Ho, Mr. Charles Ho, Mr. Michael Ng and Mr. Kevin Yip, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Agreement (including the Proposed Transfer, the payment of the Pro-rata Consideration and the Possible Revocation) and the Specific Mandate. We, Optima Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, neither Optima Capital Limited nor persons stipulated under Rule 13.84(4) of the Listing Rules had any current business relationship with the Company, the parties to the Agreement, or a director, subsidiary, holding company or substantial shareholder of the Company or the parties to the Agreement, which would be reasonably considered to affect our independence in performing the duties as set out in the Listing Rules, or might reasonably give rise to a perception that our independence would be so affected.

In formulating our opinion and recommendation, we have reviewed, among other things, the Agreement, the annual report (the “**Annual Report 2015**”) of the Company for the year ended 31 December 2015 (“**FY2015**”) and the interim report (the “**Interim Report 2016**”) of the Company for the six months ended 30 June 2016 (“**HY2016**”), other relevant information provided by the Company (including but not limited to the SPA and the press releases relating to the land site issues in the Nam Van District, Macau), the information as set out in the Announcement, the SPA Announcements and the Board Letter, and the Property Valuation Report. We have also discussed with the management of the Group (the “**Management**”) in respect of, among other things, the proposed transactions contemplated under the Agreement.

We have relied on the information and facts supplied, and the statements, representations and opinions made, by the Management to us or referred to in the Circular and have assumed that they are true, accurate and complete in all material respects at the time they were made and continue to be true, accurate and complete in all material respects up to the Latest Practicable Date. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, or to doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

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## LETTER FROM OPTIMA CAPITAL

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our advice with regard to the Agreement, we have taken into account the following principal factors and reasons:

#### 1. Background of the Agreement

Based on the information we obtained, we understood that:

- (i) On 11 November 2004, the Company, STNV (formerly known as Pat Soi, Limitada), Dr. Ho and Sai Wu, entered into the SPA, pursuant to which STNV conditionally agreed to acquire and Sai Wu conditionally agreed to sell the entire issued share capital of certain companies (the “**Land Companies**”) which were expected to hold the land development rights in respect of Site D with a total developable gross floor area of not less than 2,700,000 square feet. The total consideration under the SPA is HK\$1,500 million, of which HK\$500 million has been paid by STNV to Sai Wu as deposit (the “**Deposit**”), and the balance shall be satisfied on completion of the SPA by cash payment of HK\$250 million and the issuance of 148,883,374 new Shares by the Company at an issue price of approximately HK\$5.0375 per Share. The SPA had been approved by the then Independent Shareholders in compliance with the Listing Rules on 6 January 2005.
- (ii) Pursuant to the SPA, Site D consists of four property sites in the Nam Van District, Macau, which are referred to as Lots D2, D3, D4 and D5, with a total gross site area (including roads) of 39,800 square metres or such gross site area as is specified in the land concession title, whichever is the greater, and which are generally bounded by Avenida Dr Sun Yat Sen on the north, and a promenade on the south and are adjacent to the Macau Tower in the Nam Van District, Macau.
- (iii) As the Macau Government has been in the process of reviewing the master plan for the development of the Nam Van District, therefore one of the conditions precedent to the SPA, being that Sai Wu has procured the land development rights (the “**Land Development Rights**”, which refer to all necessary land concessions, licences, permissions and authorisations granted by the Macau Government and any other applicable regulatory authority to permit a total developable gross floor area of not less than 2,700,000 square feet and to permit a mixed use development at Site D) for the exclusive benefit of the Land Companies to the satisfaction of STNV and the Company, has remained unfulfilled. Accordingly, the long stop date for completion of the SPA was subsequently extended to 31 December 2016. As at the Latest Practicable Date, the SPA had not yet been completed.
- (iv) As the Macau Government has not yet finalised the master plan for the development of the Nam Van District, Macau and therefore has not approved any development plans submitted by the Company in relation to the Land Development Rights, both Lots D2 and D5 remained undeveloped until the expiry of the respective concession right on 30 July 2016. Pursuant to the legal advice obtained by the Company, it will be necessary for the Macau Government to publish a specific dispatch in the Macau Official Gazette for the forfeiture

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to be effective. As at the Latest Practicable Date, the Macau Government had not yet published any specific dispatch in the Macau Official Gazette in relation to the re-entering of Lots D2 and D5. D2 Land Company and D5 Land Company have been requesting the Macau Government for an extension of the concession rights for Lots D2 and D5.

- (v) Lots D3 and D4 are government lands. As at the Latest Practicable Date, no concession rights in relation to Lots D3 and D4 were granted by the Macau Government. It is expected that the concession rights in respect of Lot D3 and Lot D4 are unlikely to be obtained by Sai Wu or other relevant parties to the SPA.
- (vi) At the request of the Macau Government, Hei Keng Van previously surrendered to the Macau Government a land site with a site area of 6,480 square metres located in Zone B of the Nam Van District, Macau (“**Lot B/l**”) for the purpose of the Macau Government’s other development plan. Pursuant to Dispatch no. 36/2004 as published in the Macau Official Gazette of 14 April 2004, the Macau Government undertook to grant one or more land site(s) in Zones C and D of the Nam Van District, Macau or land sites with similar developable gross floor area and construction capacity to Hei Keng Van in replacement of Lot B/l previously surrendered. As at the Latest Practicable Date, no leasehold rights to any land were granted by the Macau Government to Hei Keng Van.
- (vii) At the request of the Macau Government, Sai Wu previously surrendered to the Macau Government a land site with a site area of 6,480 square metres located in Zone B of the Nam Van District, Macau (“**Lot B/g**”) for the purpose of the Macau Government’s development plan. Pursuant to Dispatch no. 35/2004 as published in the Macau Official Gazette of 14 April 2004, the Macau Government undertook to grant one or more land sites in Zones C and D of the Nam Van District, Macau or land sites with similar developable gross floor area and construction capacity to Sai Wu in replacement of Lot B/g previously surrendered (i.e. the Sai Wu Promissory Land Rights). As at the Latest Practicable Date, no leasehold rights to any land were granted by the Macau Government to Sai Wu.
- (viii) After arm’s length negotiations, the parties to the Agreement agreed that Sai Wu shall transfer and/or procure the transfer of D2 Land Company, D5 Land Company, Hei Keng Van and the Sai Wu Promissory Land Rights to STNV and the Replacement Site(s) will consist of the leasehold land site(s) (or other rights) to be granted by the Macau Government or other relevant parties pursuant to the Sai Wu Promissory Land Rights and/or the promissory land rights held by Hei Keng Van and/or the land concession rights that were attributable to D2 Land Company and to D5 Land Company and/or arising from their respective expiry.
- (ix) The Agreement serves as a mechanism for STNV and the Company to directly engage in the negotiations with the Macau Government (or other relevant parties) in order to obtain suitable Replacement Site(s) that are favourable and acceptable to the Company.

In view of the above circumstances, the Company, STNV and Sai Wu entered into the Agreement on 1 November 2016 to extend the long stop date of completion of the SPA and to lay down certain additional arrangements and/or amendments to the SPA.

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### 2. Information on the Group

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

Based on the Annual Report 2015 and the Interim Report 2016, the principal activities of the Group were classified into four divisions, namely property, transportation, hospitality and investment, and the segment information for the year ended 31 December 2014 (“**FY2014**”), FY2015 and HY2016 as extracted from the Annual Report 2015 and the Interim Report 2016, respectively, is set out below:

*Revenue and other income:*

	<b>HY2016</b>	<b>FY2015</b>	<b>FY2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property	221,658	876,131	5,922,931
Transportation	1,114,056	2,440,701	2,481,618
Hospitality	386,421	863,140	826,119
Investment	187,349	329,264	420,596
Eliminations	<u>(25,201)</u>	<u>(52,348)</u>	<u>(52,168)</u>
Consolidated	<u>1,884,283</u>	<u>4,456,888</u>	<u>9,599,096</u>

*Segment results:*

	<b>HY2016</b>	<b>FY2015</b>	<b>FY2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property	54,893	382,764	2,486,554
Transportation	213,146	356,497	236,263
Hospitality	43,728	94,723	91,893
Investment	<u>166,649</u>	<u>278,416</u>	<u>379,102</u>
Consolidated	<u>478,416</u>	<u>1,112,400</u>	<u>3,193,812</u>

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*Segment assets:*

	<b>HY2016</b>	<b>FY2015</b>	<b>FY2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property	23,315,907	24,793,283	23,523,399
Transportation	4,310,492	4,089,082	3,668,478
Hospitality	1,731,671	1,489,375	1,425,358
Investment	1,002,311	1,002,264	1,049,256
Eliminations	<u>(41,189)</u>	<u>(45,966)</u>	<u>(21,845)</u>
Consolidated	<u><u>30,319,192</u></u>	<u><u>31,328,038</u></u>	<u><u>29,644,646</u></u>

The segment results of the property division accounted for approximately 11.5%, 34.4% and 77.9% of the consolidated results of the Group for HY2016, FY2015 and FY2014 respectively. As mentioned in the Annual Report 2015, the decrease in revenue and segment results of the property segment was mainly attributable to reduced property sales recognised in 2015 for Chatham Gate and Nova City Phase 4, and as mentioned in the Interim Report 2016, the combined impacts of a time lag in revenue recognition from property sales and a revaluation on investment properties contributed to a weakened profit of the property segment.

As mentioned in the Annual Report 2015, the Group also classified its operations by geographical location, and the relevant information is extracted below:

*Revenue and other income:*

	<b>FY2015</b>	<b>FY2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	2,063,610	4,045,334
Macau	2,289,735	5,439,177
Others	<u>103,543</u>	<u>114,585</u>
	<u><u>4,456,888</u></u>	<u><u>9,599,096</u></u>

*Non-current assets:*

	<b>FY2015</b>	<b>FY2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	6,375,527	6,289,255
Macau	1,533,000	1,503,860
Others	<u>2,476,127</u>	<u>2,475,499</u>
	<u><u>10,384,654</u></u>	<u><u>10,268,614</u></u>

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The revenue and other income generated from Macau contributed approximately 51.4% and 56.7% to the total revenue of the Group for FY2015 and FY2014 respectively. As advised by the Management, the revenue contribution from Macau as a percentage of the Group's total revenue in HY2016 was similar compared to that in FY2015 and FY2014.

Taking into account the above, we are of the view that property development in Macau is one of the principal businesses of the Group.

### 3. Information on the Target Companies and the Sai Wu Promissory Land Rights

Each of D2 Land Company, D5 Land Company and Hei Keng Van is a company incorporated in Macau whose sole business and asset are holding the respective leasehold grant or promissory land rights.

D2 Land Company holds the leasehold grant of Lot D2 located in the Nam Van District, Macau, which was granted by the Macau Government to the holding company of D2 Land Company in 1991 and subsequently transferred to D2 Land Company with the approval of the Macau Government pursuant to Dispatch no. 91/2001 as published in the Macau Official Gazette of 12 September 2001. D5 Land Company holds the leasehold grant of Lot D5 located in the Nam Van District, Macau, which was granted by the Macau Government to the holding company of D5 Land Company in 1991 and subsequently transferred to D5 Land Company with the approval of the Macau Government pursuant to Dispatch no. 92/2001 as published in the Macau Official Gazette of 12 September 2001. The concession rights of both Lot D2 and Lot D5 have expired on 30 July 2016.

Hei Keng Van is the beneficiary and legitimate titleholder of the promissory land rights granted by the Macau Government pursuant to Dispatch no. 36/2004 as published in the Macau Official Gazette of 14 April 2004 that entitles it to, in replacement of Lot B/l previously surrendered by it to the Macau Government, obtain leasehold grant of one or more land site(s) in Zones C and D of the Nam Van District, Macau or land sites with similar developable gross floor area and construction capacity.

The Sai Wu Promissory Land Rights is the right granted by the Macau Government to Sai Wu pursuant to Dispatch no. 35/2004 as published in the Macau Official Gazette of 14 April 2004 that entitles Sai Wu to, in replacement of Lot B/g previously surrendered by it to the Macau Government, obtain leasehold grant of one or more land site(s) in Zones C and D of the Nam Van District, Macau or land sites with similar developable gross floor area and construction capacity.

In view that the sole business and asset of the Target Companies and the underlying asset entitled under the Sai Wu Promissory Land Rights are leasehold grant or promissory land rights of land sites in the Nam Van District, Macau, we are of the view that the Proposed Transfer pursuant to the Agreement aligns with the principal business of the Group.



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### 4. Overview of the Macau economy and property market

The Macau economy has vindicated sign of contraction in recent years with its gross domestic products (the “GDP”) having dropped by approximately 16.9% from approximately MOP443.5 billion in 2014 to approximately MOP368.7 billion in 2015. Despite the drop in the GDP, the negative momentum is noted to have eased. Based on the latest information provided by the Statistics and Census Service of the Macau Government (the “DSEC”), in the second quarter of 2016, the city recorded a drop of less than approximately 7% year-on-year in its GDP, in contrast to a decline of more than 21% in the corresponding period in 2015. Compared to the previous quarter, the GDP has stayed at around MOP84 billion.

Analogous to the weakened macro-economic environment in Macau in 2015, the property market witnessed fall in both transaction value and volume. A total of 6,865 transactions with an aggregate value of approximately MOP44.5 billion for residential, commercial or office units were recorded during the year, compared to 9,133 transactions with an aggregate value of approximately MOP69.0 billion in 2014. The average price per square metre of residential units declined by approximately 13.0% year-on-year, whereas that of office units dropped by approximately 6.3%. Nevertheless, the property market has started to show sign of recovery in 2016. According to the latest statistics published by the DSEC, during the second quarter of 2016, the average price of residential units and office units recorded a quarter-on-quarter increase of approximately 7.6% and 2.5%, respectively. A total of 4,558 transactions of residential, office and commercial units were recorded during the first half of 2016, compared to 3,476 transactions for the same period in 2015. The aggregate transaction value amounted to approximately MOP24.5 billion during the first half of 2016, representing a year-on-year increase of more than MOP240.0 million. The transaction volume and value continued to grow in the third quarter in 2016 with both figures recording an annual growth rate of more than 40%.

Notwithstanding the volatility in property sale and purchase in recent years as discussed above, the demand for properties has remained stable amid the increasing demographics in the city. Total population reached approximately 647,700 as at end of the third quarter of 2016, compared to approximately 646,800 and 636,200 as at end of 2015 and 2014, respectively. In accommodating the growing population, new residential and commercial units have been developed in the market. As of June 2014, there were 211,491 residential units and 41,821 commercial units in Macau. The number of units increased to 217,061 for residential and 42,009 for commercial as of June 2016 and the occupancy rates of all residential and commercial units in Macau have been consistently high at around 90%.

We understood from the Management that, if STNV succeeds in obtaining the Replacement Site(s) to its satisfaction, the Group intends to develop them into residential properties and/or commercial properties and/or hotels in accordance with the land uses as may be stated in the respective Macau Official Gazette. In view of the potential for recovery and positive growth in the property market in Macau as discussed above, it is commercially reasonable for the Group to continue to expand its land bank in Macau and to obtain the Replacement Site(s).

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### 5. Principal terms of the Agreement

The principal terms of the Agreement are summarised below. Further details are set out in the section headed “The Agreement” in the Board Letter contained in the Circular.

#### 5.1. *Subject of the Agreement*

Pursuant to the Agreement,

- (i) the long stop date of the SPA shall be extended to the date on which any of the following shall first take place: (a) STNV delivers the Non-Completion Notice to Sai Wu and Dr. Ho; or (b) all payments for the Pro-rata Consideration have been made by STNV to Dr. Ho (as per the instructions of Sai Wu); or (c) STNV delivers the Revocation Notice to Sai Wu and Dr. Ho, and in any event, on or before the end of 10 years of the date of the Agreement (being 31 October 2026); and
- (ii) in consideration of STNV’s forbearance to claim against Sai Wu in respect of Sai Wu’s obligations and liabilities under the SPA (save and except for its obligation to return the Deposit paid by STNV under the SPA), Sai Wu has agreed to (a) as the beneficiary and legitimate titleholder, assign to STNV the Sai Wu Promissory Land Rights; and (b) as the representative of each of the Original Shareholders, procure the transfer to STNV of the Target Shares and grant or procure the grant of authority to STNV to directly negotiate on behalf of Sai Wu and the Target Companies in relation to the land sites and the promissory land rights held or to be held by them with a view to obtaining Replacement Site(s) that are acceptable to STNV (i.e. the Proposed Transfer).

Upon completion of the foregoing negotiations: (i) if STNV, itself or through the Target Companies, obtains Replacement Site(s) to its satisfaction, STNV shall pay the Pro-rata Consideration in accordance with the terms and conditions of the Agreement whereupon the SPA will lapse simultaneously; or (ii) if STNV does not obtain any Replacement Site(s) to its satisfaction, STNV may revoke the Proposed Transfer and request Sai Wu to return the Deposit paid by STNV under the SPA.

#### 5.2. *Conditions precedent to the Agreement*

Completion of the Agreement is conditional on the fulfilment of the following conditions:

- (i) due diligence on the Sai Wu Promissory Land Rights and the Target Companies being completed to STNV’s satisfaction;
- (ii) the approvals from the Board and the Independent Shareholders being obtained in accordance with all applicable laws and regulations, including but not limited to the Listing Rules in relation to the Agreement and the transactions contemplated therein (including the grant of the Specific Mandate and the listing of, and permission to deal in, the Consideration Shares); and
- (iii) the Original Shareholders’ Documents having been deposited with the Designated Lawyers.

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STNV shall have the right to waive condition (iii) above. If STNV elects not to proceed to Completion, the Agreement shall be deemed to have no effect and Sai Wu and Dr. Ho shall, within seven days after receiving the Non-Completion Notice from STNV, return the Deposit to STNV but without prejudice to any other rights under the SPA.

Upon Completion, STNV and the Company will be given the standing and full powers to act in the name and on behalf of Sai Wu and the Target Companies to directly engage in negotiations with the Macau Government (or other relevant parties). For the avoidance of doubt, Completion is not subject to STNV having properly obtained any Replacement Site(s) to its satisfaction.

### 5.3. *The Pro-rata Consideration and the payment terms*

In the event that Completion has taken place and thereafter, STNV successfully obtains one or more Replacement Site(s) to its satisfaction, STNV shall, within seven days from the publication of the relevant concession contract in the Macau Official Gazette in respect of any Replacement Site(s) accepted by STNV, serve the Payment Notice to Sai Wu and Dr. Ho and pay to Dr. Ho (as per the instructions of Sai Wu) the Pro-rata Consideration calculated in the following manner:

$$\text{PRC} = (\text{SPAC} / \text{SPAGFA}) * \text{NGFA}$$

Where:

**PRC** is the Pro-rata Consideration

**SPAC** is the consideration under the SPA (i.e. HK\$1,500,000,000)

**SPAGFA** is the developable gross floor area of Site D as envisaged under the SPA (i.e. 2,700,000 square feet)

**NGFA** is the new developable gross floor area attributed to the Replacement Site(s) in question

Pursuant to the Agreement, the Pro-rata Consideration is subject to a maximum amount of HK\$1,500 million in aggregate, which has been agreed upon among the parties to the Agreement with reference to the amount of the consideration under the SPA.

The payment of the Pro-rata Consideration shall be effected in the following manner:

- (i) the first HK\$500 million payable as Pro-rata Consideration shall be set-off against the Deposit paid by STNV under the SPA;
- (ii) the next HK\$500 million, or any part thereof, payable as Pro-rata Consideration shall be satisfied by one or more allotment(s) and issue(s) of up to 99,255,583 Shares credited as fully paid to Alpha Davis (being Sai Wu's nominee to receive consideration shares in the SPA) at HK\$5.0375 per Share, being the issue price for issuance of consideration shares in the SPA; and

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- (iii) any subsequent Pro-rata Consideration payment(s) (if any) shall be satisfied by a combination of cash payment (the maximum amount of which being HK\$250 million) and allotment and issue of Shares (the maximum number of which being 49,627,791 Shares) in the manner described in paragraph (b) above in the proportion of 50:50.

For the avoidance of doubt, the Pro-rata Consideration will only become payable by the STNV when STNV is satisfied with and has duly obtained the Replacement Site(s) and the relevant concession contract(s) has/have been published in the Macau Official Gazette. In the event that the total development gross floor area of the Replacement Site(s) is larger than 2,700,000 square feet, the amount of Pro-rata Consideration payable by STNV will still be capped at HK\$1,500 million. Despite the cap on the total amount of Pro-rata Consideration, the Company and STNV will not be restricted from obtaining any Replacement Site(s) of a total development gross floor area of over 2,700,000 square feet. Subject to the final terms and conditions of the grant of the Replacement Site(s), additional land premium may be payable by STNV or the Target Companies to the Macau Government if the total developable gross floor area or the permitted land uses of the Replacement Site(s) obtained by them is different from that of Lot D2, Lot D5 and the land sites surrendered by Hei Keng Van and Sai Wu (i.e. Lot B/l and Lot B/g). In deciding whether to accept a land site proposed to be granted as a Replacement Site, the Company will take into account, among others, the location, site area, developable gross floor area, permitted land uses and prevailing market value of the relevant land site. In particular, the Company will only accept Replacement Site(s) of which the prevailing market value per square foot, determined based on independent property valuation, is HK\$556 or more.

STNV will only serve the Payment Notice after it has obtained the Replacement Site(s) to its satisfaction. It is anticipated that the Macau Government may grant one or more Replacement Site(s) at different stages in respect of the Sai Wu Promissory Land Rights and the rights of the Target Companies. In the event that STNV has obtained one or more Replacement Site(s) to its satisfaction and has served the Payment Notice before the end of 10 years of the date of the Agreement but the aggregate amount of the Pro-rata Consideration paid or payable by STNV in respect of the Replacement Site(s) obtained is less than the amount of the Deposit (i.e. HK\$500 million), STNV will have a right to claim back Dr. Ho and Sai Wu such difference.

#### 5.4. *Possible Revocation*

In the event that Completion has taken place and thereafter, STNV is unsuccessful in obtaining any Replacement Site(s) to its satisfaction, STNV may elect to revoke the Proposed Transfer by delivering the Revocation Notice to Sai Wu and Dr. Ho in accordance with the Agreement. Sai Wu shall return the Deposit to STNV within seven days after receipt of the Revocation Notice and upon receipt of the Deposit, STNV shall return to Sai Wu the Target Companies' POA, the Sai Wu's POA, the Original Shareholders' Documents and such other books and documents of each of the Target Companies received from Sai Wu to establish the full ownership of their respective capital and full management of each of the Target Companies.

Pursuant to the Agreement, either the Payment Notice or the Revocation Notice shall be served by STNV within 10 years from the date of the signing of the Agreement, failing which STNV shall be deemed to have served the Revocation Notice to Sai Wu and Dr. Ho.

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### 5.5. *Our views*

Based on the terms of the Agreement, STNV has the sole discretion as to whether to proceed to Completion depending on its satisfaction with the due diligence results on the Target Companies and the Sai Wu Promissory Land Rights (subject to the obtaining of the Independent Shareholders' approval at the General Meeting). STNV also has the right to revoke the Proposed Transfer depending on the results of its negotiation with the Macau Government in obtaining any Replacement Site(s) to its satisfaction. Moreover, by virtue of the Agreement, the Company will be given full power under the Target Companies' POA and the Sai Wu's POA so that the Company is able to take an active role in the process of negotiations with the Macau Government and strive for obtaining the Replacement Site(s) that are most favourable and acceptable to the Group as a whole.

Furthermore, STNV is entitled to have the Deposit refunded if the Agreement is terminated or if the Proposed Transfer is revoked, or to request the repayment of the difference between the Pro-rata Consideration and the Deposit if the Pro-rata Consideration paid or payable for the Replacement Site(s) to be obtained is less than the Deposit, while the Deposit will be applied as part of the Pro-rata Consideration if suitable Replacement Site(s) can be obtained to the Group's benefits. In any event, STNV and/or the Company is/are given the discretion to opt for the way that is favourable to the Group as a whole.

As mentioned in the Board Letter, the purpose of extending the long stop date of the SPA is to maintain the validity of the SPA such that in case STNV does not obtain any Replacement Site(s) (including but not limited to renewal of the concession rights of Lot D2 and Lot D5) to its satisfaction under the Proposed Transfer, STNV would be entitled to request Sai Wu to return the Deposit paid by STNV under the SPA. It is further expected that it will take time for the Company to finalise the negotiation process with the Macau Government before the grant of any Replacement Site(s), which might be subject to or otherwise affected by change in policies on zoning, land use planning, land repossession and grant of land concession of the Macau Government. Having considered that the extension of the long stop date of the SPA is to (i) allow the Company to have sufficient time in negotiating with the Macau Government with an objective to obtain the Replacement Site(s) that are most favourable and acceptable to the Group; and (ii) safeguard the interests of STNV in getting back the Deposit in case no suitable Replacement Site(s) are obtained after prolonged negotiations, we concur with the view of the Management that the extension of the long stop date of the SPA is fair and reasonable.

As also mentioned in the Board Letter, the Group may need to bear the costs that may be involved during the course of negotiations with, and, if required, potential litigations against or otherwise involving, the Macau Government. However, in view of the significant commercial opportunity provided by the Agreement if the Replacement Site(s) can be obtained and that the Company will only accept Replacement Site(s) of which the prevailing market value per square foot, determined based on independent property valuation, is HK\$556 or more (as further discussed below in respect of the Pro-rata Consideration), and that the proposed transactions contemplated under the Agreement align with the principal business of the Group, we concur with the view of the Directors that, although the entering into of the Agreement is not in the usual and ordinary course of business of the Company, the objective thereof is to develop the Group's principal business and is in line with the business

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strategy of the Group and the terms of the Agreement (including the extension of the long stop date of the SPA) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

### 6. Property Valuation Report

The Company has appointed the Property Valuer, Savills (Macau) Limited, as an independent valuer to value the property interests of various development sites in Macau (the “**Properties**”) as at 4 November 2016 (the “**Valuation Date**”), details of which have been set out in the Property Valuation Report in Appendix I to the Circular. As set out in Property Valuation Report, the Property Valuation Report has been prepared in accordance with The HKIS Valuation Standards on Properties (2012 Edition) published by The Hong Kong Institute of Surveyors and Chapter 5 of the Listing Rules.

We have interviewed the Property Valuer and reviewed its engagement letter and other relevant information such as the qualifications and experience of its staff engaging in the preparation of the Property Valuation Report as well as its credentials. Based on our review of the relevant information and understanding from the Property Valuer, we are satisfied with the terms of the engagement of the Property Valuer with the Company and its qualifications and experience for the preparation of the Property Valuation Report. The Property Valuer has confirmed to us that it is independent of, and not connected with, the Company, STNV, Sai Wu and their respective associates.

Pursuant to the Property Valuation Report, the Properties, comprising the land sites of Lots D2 and D5 and two land sites as referred to as Lot N25 and Lot 12 (A2/G) with the total developable gross floor area (excluding the area attributable to car parks) of 2,299,062 square feet in aggregate, are valued at HK\$5,923,000,000 in aggregate (the “**Valuation**”). Based on the Valuation and the total developable gross floor area attributable to the Properties, the market value of the Properties per developable gross floor area (excluding the area attributable to car parks) is approximately HK\$2,576 per square foot.

We have discussed with the Property Valuer in respect of the selection of the Properties. We understood that Lot D2 and Lot D5 have been selected because D2 Land Company and D5 Land Company are currently the respective holder of the leasehold grant thereof. We further understood that the two land sites, Lot N25 and Lot 12 (A2/G), are currently government lands, with almost the same site area and very similar developable gross floor area and construction capacity, and are located at the same districts as and nearby Lot B/g and Lot B/l. The Management has considered that (i) given that the Replacement Site(s) in respect of Lot B/g and Lot B/l had not yet been determined as at the Latest Practicable Date, no valuation can be performed in respect of the Replacement Site(s) for Lot B/g and Lot B/l; and (ii) given that Lot B/g and Lot B/l had been granted by the Macau Government to, and are currently occupied by, other parties and Lot B/g and Lot B/l will not form part of the Replacement Site(s) in any event, a valuation on Lot B/g and Lot B/l is not meaningful for the purpose of assessing possible Replacement Site(s) and the fairness and reasonableness of the Pro-rata Consideration.

As stated in the Dispatches no. 35/2004 and 36/2004 respectively as published in the Macau Official Gazette, the Macau Government undertook to grant land sites with similar developable gross floor area and construction capacity in replacement of Lot B/l and Lot B/g. On this basis, the Property

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Valuer has been instructed to perform a valuation on Lot N25 and Lot 12 (A2/G) with a view that the characteristics of Lot N25 and Lot 12 (A2/G) are very similar to Lot B/g and Lot B/l such that the Valuation of Lot N25 and Lot 12 (A2/G) is meaningful and representative for assessing the valuation of Lot B/g and Lot B/l. As advised by the Property Valuer, based on the respective characteristics of these land sites as stated in the respective dispatch document, Lot N25 and Lot 12 (A2/G) and Lot B/g and Lot B/l are comparable land sites. We have also inquired of the Property Valuer whether there are any properties other than Lot N25 and Lot 12 (A2/G) which may be suitable for the purpose of the Valuation. Based on our discussions, we understood that certain land sites have been re-entered by the Macau Government and these land sites may potentially be granted as replacement of the previously surrendered land sites subject to the decision of the Macau Government. Among these land sites, Lot N25 and Lot 12 (A2/G) are the only two land sites in Macau which, based on existing circumstances in terms of location, site area, permitted land uses and developable gross floor area under the terms and conditions of the relevant land concession document(s), are comparable with Lot B/g and Lot B/l and therefore have the potential to be granted by the Macau Government as the Replacement Site(s) in connection with the Sai Wu Promissory Land Rights and the promissory land rights held by Hei Keng Van. As such, the Valuation of Lot N25 and Lot 12 (A2/G) provides a meaningful assessment of the valuation of possible Replacement Site(s). The Property Valuer has also performed a separate valuation on Lot N25 and Lot 12 (A2/G) with the assumptions that the exact developable parameters and constraints of Lot B/g and Lot B/l as stated in their dispatch documents have been applied on Lot N25 and Lot 12 (A2/G) respectively and such valuation results are similar to the Valuation of Lot N25 and Lot 12 (A2/G). Although the Replacement Site(s) may eventually be land site(s) other than Lot N25 and Lot 12 (A2/G), having considered the above rationale of the selection of Lot N25 and Lot 12 (A2/G) as the subjects for the Valuation and the characteristics of Lot N25 and Lot 12 (A2/G) as compared with Lot B/g and Lot B/l, we are of the view that the selection of the Properties and the Valuation thereof are appropriate source of information for the purpose of our assessment of the fairness and reasonableness of the terms of the Agreement.

We have also discussed with the Property Valuer in respect of the methodology of, and the underlying assumptions and bases for, the Property Valuation Report. We noted in the Property Valuation Report that the Valuation was conducted based on a number of assumptions including, among others, that the Properties have good legal titles and are freely transferrable in the market and the Properties are free from onerous encumbrances which may impact on their values. We understood from the Property Valuer that, given the lease term of the Properties has already expired and the general lease term for lands in Macau is 25 years, it has adopted the assumptions made by the Company that the lease tenure of the Properties had not been expired and had an unexpired lease term of 25 years and that the development constraints immediately before the expiry of lease terms were still valid as at the date of the Valuation. The Property Valuer advised that, as the Replacement Site(s) has not yet been determined, it is necessary to make the aforesaid assumptions in order to perform a meaningful Valuation. The Property Valuer has confirmed that all the underlying assumptions of the Valuation are reasonable and are appropriate under the relevant valuation standards.

As stated in the Property Valuation Report, the Property Valuer has adopted the direct comparison method by reference to the sales evidence as available on the market and its knowledge of the prevailing market condition assuming that vacant possession of the Properties would be readily available upon completion of a sale. The Property Valuer has conducted necessary due diligence work, including but not limited to (i) site inspections, land searches, review of the respective dispatch

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## LETTER FROM OPTIMA CAPITAL

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documents as published in the Macau Official Gazette; (ii) obtaining advices from Macau legal advisers in respect of the legal title of the Properties; and (iii) conducting comparable analysis based on the available market data of similar types of transactions of residential properties and hotel in Macau in recent years and its internal source of transaction records, adjusted by necessary parameters such as location of and scenery from the Properties, etc. Taking into account the above, we are of the view that the Property Valuation Report has been prepared in line with the standard valuation procedures and practices and the valuation method adopted is commonly used for valuing assets similar to the Properties and the underlying assumptions and basis used in the Property Valuation Report are reasonable.

### 7. Evaluation of the Pro-rata Consideration

As mentioned in the Board Letter, the maximum amount of the Pro-rata Consideration payable under the Agreement of HK\$1,500 million will be calculated based on same price per developable gross floor area as agreed by the parties to the SPA (being approximately HK\$556 per square foot).

Based on the Valuation of approximately HK\$2,576 per square foot, the market value of the Properties represents a premium of approximately 363.3% over the price per developable gross floor area of approximately HK\$556 per square foot pursuant to the Pro-rata Consideration. Although the Properties may not be the same properties as the Replacement Site(s), as discussed above in the section “6. Property Valuation Report”, we are of the view that the Properties are appropriate source of information for the purpose of our assessment of the Pro-rata Consideration.

Further, we have reviewed the general market briefing in Macau (the “**Market Briefing**”) as provided by the Property Valuer (the details of which have been set out in Appendix II to the Circular). Based on the Market Briefing, (i) the estimated accommodation values of residential development sites and composite development sites in Macau (including Macau Peninsula, Taipa and Coloane) range from approximately HK\$3,500 per square foot to HK\$5,500 per square foot and from approximately HK\$1,500 per square foot to HK\$3,000 per square foot, respectively; and (ii) the estimated accommodation values of residential development sites and composite development sites in Zone C and Zone D of the Nam Van District, Macau range from approximately HK\$4,500 per square foot to HK\$5,500 per square foot and from approximately HK\$2,500 per square foot to HK\$3,000 per square foot, respectively. As discussed with the Property Valuer, the estimated accommodation values represent the prevailing estimation of the market value of the land sites in Macau in general and in Zone C and Zone D of the Nam Van District in particular, and serve as a reference for the overall market prices of land sites in Macau. We noted that the estimated accommodation values in both cases are well above the price per developable gross floor area of HK\$556 per square foot pursuant to the Pro-rata Consideration.

Given that (i) the Pro-rata Consideration is capped at HK\$1,500 million, which is equal to the original consideration under the SPA determined with reference to the then market price in 2004; (ii) with reference to the Property Valuation Report, the Valuation of the Properties per developable gross floor area of HK\$2,576 per square foot represents a premium of approximately 363.3% over the price per developable gross floor area of HK\$556 per square foot pursuant to the Pro-rata Consideration; (iii) the proposed transactions contemplated under the Agreement represent a significant commercial opportunity as the acquisition cost of the Replacement Site(s) is effectively based on the market price



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## LETTER FROM OPTIMA CAPITAL

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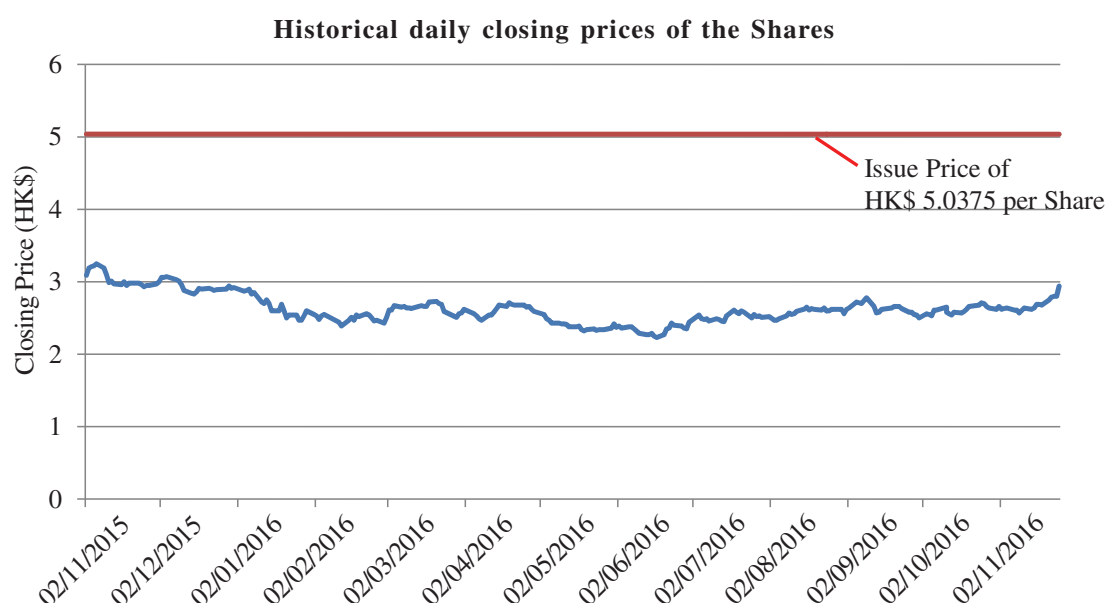
in 2004, which is substantially below the current market price as reflected by the Valuation of the Properties and the general market price of land sites in Macau with reference to the Market Briefing; and (iv) the Pro-rata Consideration is calculated based on the actual developable gross floor area attributed to the Replacement Site(s) to be obtained, we concur with the view of the Directors that the Pro-rata Consideration is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

### 8. Evaluation of the Issue Price

The Issue Price of HK\$5.0375 per Consideration Share is equal to the issue price for issuance of the consideration shares pursuant to the terms of the SPA and represents:

- (i) a premium of approximately 92.27% over the closing price of the Shares of HK\$2.62 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 88.67% over the average of the closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$2.67 per Share;
- (iii) a premium of approximately 71.34% over the closing price of the Shares of HK\$2.94 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a discount of approximately 51.09% to the audited consolidated net asset value of the Company per Share in issue as at 31 December 2015.

Set out below is a chart showing the daily closing prices of the Shares traded on the Stock Exchange starting from 2 November 2015, covering a period of around one year preceding the date of the Agreement and up to and including the Latest Practicable Date (the “**Review Period**”):



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## LETTER FROM OPTIMA CAPITAL

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As shown in the chart above, during the Review Period, the daily closing prices of the Shares ranged between HK\$2.23 and HK\$3.25 and the average daily closing price of the Shares was approximately HK\$2.63. The Issue Price represents a premium of approximately 91.5% over the average of the daily closing prices of the Shares during the Review Period, and is consistently higher than the range of the daily closing prices of the Shares during the Review Period.

According to the Interim Report 2016, the equity attributable to owners of the Company as at 30 June 2016 was approximately HK\$26,245 million. Based on the total number of issued Shares as at the Latest Practicable Date of 3,042,465,785 Shares, the net asset value per share attributable to owners of the Company (the “NAV per Share”) was approximately HK\$8.63 as at 30 June 2016. We noted that the Issue Price represents a discount of approximately 41.6% to the NAV per Share. However, the Shares had been trading consistently and substantially below the NAV per Share during the Review Period and the average of the daily closing prices of the Shares during the Review Period represents a discount of approximately 69.5% to the NAV per Share. Having considered that the Issue Price is consistently higher than the daily closing prices of the Shares during the Review Period and the commercial opportunity provided by the Agreement as discussed earlier, we are of the view that, on balance, the Issue Price is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

### 9. Financial effects of the transactions contemplated under the Agreement

We have discussed with the Management in respect of the financial effects of the transactions contemplated under the Agreement to the Group.

As advised by the Management, upon Completion, the Target Companies will become indirect wholly-owned subsidiaries of the Company, and the financial results of the Target Companies will be consolidated into the financial results of the Group. It is expected that the Target Companies have yet to obtain the Replacement Site(s) at Completion. As no additional consideration is required to be paid by STNV to Sai Wu, and based on the unaudited financial information of the Target Companies, it is expected that there will be no material impact in respect of the Proposed Transfer on the financial results and financial position of the Group.

If STNV succeeds in obtaining the Replacement Site(s) to its satisfaction after Completion, the Company shall settle the Pro-rata Consideration of HK\$1,500 million (or partially, which will base on the actual developable gross floor area to be obtained) as to HK\$750 million by cash and as to HK\$750 million by the allotment and issue of the Consideration Shares in accordance with the calculation as set out above. HK\$500 million has already been paid by STNV to Sai Wu as Deposit. As advised by the Management, the remaining cash portion of the Pro-rata Consideration shall be funded by internal resources of the Group. The Management expects that the settlement of the Pro-rata Consideration would not have any material impact on the liquidity and working capital of the Group. In the event that any Replacement Site(s) is obtained, the assets of the Company will be reflected by the value of the Replacement Site(s) at the time of completion of the acquisition of the Replacement Site(s) in accordance with the accounting policy of the Group. The effect on the net asset value of the Group will depend on the net effect attributable to the value of Replacement Site(s), the cash payment of the Pro-rata Consideration as well as the market value of the Consideration Shares.

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## LETTER FROM OPTIMA CAPITAL

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As further advised by the Management, if STNV succeeds in obtaining the Replacement Site(s) to its satisfaction, the Group intends to develop them into residential properties and/or commercial properties and/or hotels in accordance with the land uses as may be stated in the respective Macau Official Gazette. In view of the significant commercial value underlying the Agreement, it is expected that the Group would be able to enhance its earnings upon successful development of the Replacement Site(s) in accordance with the Company's business plan.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be affected after the entering into of the Agreements or successful obtaining of the Replacement Site(s).

### 10. Effects on Shareholding Structure

The maximum amount of the Consideration Shares to be allotted and issued by the Company to Alpha Davis represents approximately 4.89% of the existing issued Shares and approximately 4.67% of the enlarged issued Shares immediately after the issue of all of the Consideration Shares.

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately after the issue of all of the Consideration Shares (assuming that there is no other change to the shareholding structure of the Company):

	<b>Issued Shares as at the Latest Practicable Date</b>		<b>Issued Shares immediately after issue of all Consideration Shares</b>	
	<i>(no. of Shares)</i>	<i>%</i>	<i>(no. of Shares)</i>	<i>%</i>
Alpha Davis	0	0.00%	148,883,374	4.67%
Dr. Ho	1,798,559	0.06%	1,798,559	0.06%
Mrs. Louise Mok	471,112	0.02%	471,112	0.01%
Ms. Pansy Ho	525,664,564	17.28%	525,664,564	16.47%
Ms. Daisy Ho	220,639,816	7.25%	220,639,816	6.91%
Ms. Maisy Ho	70,618,215	2.32%	70,618,215	2.21%
Renita Investments Limited and its subsidiary	500,658,864	16.46%	500,658,864	15.69%
Shun Tak Shipping Company, Limited and its subsidiaries	373,578,668	12.28%	373,578,668	11.71%
Megaprosper Investments Limited	65,040,000	2.14%	65,040,000	2.04%
Others	<u>1,283,995,987</u>	<u>42.19%</u>	<u>1,283,995,987</u>	<u>40.23%</u>
<b>Total</b>	<b><u>3,042,465,785</u></b>	<b><u>100%</u></b>	<b><u>3,191,349,159</u></b>	<b><u>100%</u></b>

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## LETTER FROM OPTIMA CAPITAL

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Upon the allotment and issue of the Consideration Shares, the non-public shareholding (being the shareholding held by Dr. Ho's family and their respective associates) will be increased from approximately 57.81% to 59.77%. With reference to the above shareholding table, we are of the view that no material change will be resulted in the shareholding structure of the Company as a result of the issue of the Consideration Shares.

### RECOMMENDATION

Having considered the above-mentioned principal factors and reasons, despite that the entering into of the Agreement is not in the ordinary and usual course of business of the Group, we consider that the objective thereof is to develop the Group's principal business and is in line with the business strategy of the Group, and that the terms of the Agreement (including the Proposed Transfer, the payment of the Pro-rata Consideration and the Possible Revocation) and the proposed grant of the Specific Mandate are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Independent Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the General Meeting to approve the Agreement (including the Proposed Transfer, the payment of the Pro-rata Consideration and the Possible Revocation) and the proposed grant of the Specific Mandate.

Yours faithfully,  
For and on behalf of  
**Optima Capital Limited**  
**Benny Ng**  
*Senior Director*

*The following is the text of a letter and valuation certificates, prepared for the purpose of incorporation in this circular and received from Savills (Macau) Limited, an independent professional property valuer, in connection with the valuations as at 4 November 2016 of the Properties.*



The Directors  
Shun Tak Holdings Limited (the “Company”)  
Penthouse 39th Floor, West Tower  
Shun Tak Centre  
200 Connaught Road Central  
Hong Kong

Savills (Macau) Limited  
Suites 1309-1310  
13/F Macau Landmark  
555 Avenida da Amizade  
Macao

T: (852) 2878 0623  
savills.com

EA LICENCE: C-023750  
savills.com

29 November 2016

Dear Sirs,

#### **VALUATIONS OF VARIOUS DEVELOPMENT SITES IN MACAU (THE “PROPERTIES”)**

In accordance with your instruction for us to value the Properties located in Macau, we confirm that we have carried out site inspections, made relevant enquiries and obtained such information as we consider necessary for providing you with our opinion of values of the Property interests as at 4 November 2016 (the “Valuation Date”).

#### **BASIS OF VALUATION**

The Properties were leasehold land which the land tenures expired as at the Valuation Date and/or the dispatches had been announced to be invalid and to be re-entered by the Macau Government. Please refer to the advice given by the Company and its legal advisor on the laws of Macau, DSL Lawyers (referred to as the “Macau Legal Advisors”) as stated in the footnotes of the valuation certificates.

According to the Company’s specific instruction, we have been instructed to assess the Property interests on the following bases:-

- i. Hypothetically assuming the properties have good legal titles and are freely transferable in the market. We have also assumed the properties are free from onerous encumbrances which may impact on their values.

- ii. Hypothetically assuming the lease tenures of the properties have not been expired and each has an unexpired lease term of 25 years, the usual duration of lease terms for newly grant leasehold sites and shall be renewable for further terms of 10 years till 19 December 2049 in accordance with the applicable law;
- iii. Hypothetically assuming all the development constraints immediately before the expiry of lease terms are still valid and are complied with all the prevailing laws, regulations, town planning requirements as at the Valuation Date;
- iv. Hypothetically assuming the building covenants have been extended for the completion of the hypothetical developments;
- v. Hypothetically assuming all premium/special tax and administrative fee and the like for renewal of the leases for further terms of 10 years till 19 December 2049, if any, have been fully paid and settled as at the Valuation Date; and
- vi. Notwithstanding any building structure, construction works, or temporary occupation can be found on the properties, we have assumed that the properties are vacant sites and are ready for immediate developments as at the Valuation Date. Neither demolition cost nor relocation cost has been taken into account.

For Property Nos. 3 and 4, we have been further instructed to assess the property interests on the following bases:-

- i. Hypothetically assuming all the development constraints stated in the dispatch of Lot B/g which was registered under Conservatória do Registo Predial (物業登記局) as 22324 (referred to as “Lot B/g”) are permissible in Property No. 3 of which are also complied with all the prevailing laws, regulations, town planning requirements as at the Valuation Date; and
- ii. Hypothetically assuming all the development constraints stated in the dispatch of Lot B/l which was registered under Conservatória do Registo Predial (物業登記局) as 22327 (referred to as “Lot B/l”) are permissible in Property No. 4 of which are also complied with all the prevailing laws, regulations, town planning requirements as at the Valuation Date.

Property Nos. 3 and 4 are selected by the Company because they have very similar characteristics as Lot B/g and Lot B/l. We consider Property Nos. 3 and 4 are the only two land sites in Macau which, based on existing circumstances in terms of location, site area, permitted land uses and developable gross floor area under the terms and conditions of the relevant land concession document(s), are comparable with Lot B/g and Lot B/l and therefore have the potential to be granted by the Macau Government as replacement sites in connection with the Sai Wu Promissory Land Rights and the promissory land rights held by Hei Keng Van. As such, the valuations of Property Nos. 3 and 4 offer meaningful assessments of the valuations of possible replacement site(s).

Our valuations are our opinions of the Market Values of the Properties 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”.

Our valuations have been prepared in accordance with The HKIS Valuation Standards on Properties (2012 Edition) published by The Hong Kong Institute of Surveyors and Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board).

Our valuations are based on a series of hypothetical assumptions and the assessed market values may not be realizable in the open market and/or any future property transaction.

### **VALUATION METHODOLOGY**

In our assessments, we have adopted the direct comparison method by reference to sales evidence as available on the market and our knowledge of the prevailing market condition assuming that vacant possession of the Property interests would be readily available upon completion of a sale.

### **TITLES INVESTIGATION**

We have caused land searches to be made at the Conservatória do Registo Predial (物業登記局) (known as the Macau Land Registry in English). However, we have not searched the original documents to verify ownership or to verify any lease amendments which may not appear on the copies handed to us. All documents have been used for reference only and all dimensions, measurements and areas are approximations.

We have relied on the advice given by Macau Legal Advisors regarding titles of the property interests concerned. In our valuations, as per the Company's specific instruction, we have hypothetically assumed the properties have good legal titles and are freely transferable in the market. We have also assumed the properties are free from onerous encumbrances which may impact on their values.

### **VALUATION ASSUMPTIONS**

Our valuations have been made on the assumption that the property interests are sold in the genuine market the properties are vacant sites with immediate vacant possession without any special arrangement such as deferred term contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sales of the Properties.

Other special assumptions, if any, have been stated in the notes of the valuation certificates.

### **VALUATION CONSIDERATION**

Having examined all relevant documentation, we have relied to a considerable extent on the information provided to us, and have accepted advice given to us on such matters as planning approvals or statutory notices, development parameters, easements, tenures, site areas, floor areas and other relevant matters, if any. All documents have been used for reference only. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on

information contained in the documents provided to us and are therefore approximate. We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information provided and have no reason to suspect that any material information has been withheld.

We have inspected the exterior and, where possible, the interior of the Properties. No site investigation has been carried out to determine the suitability of the ground condition or the service for any property development thereon. Our valuations are carried out on the assumptions that these aspects are satisfactory. Our valuations are prepared based on the assumption that all consents, approvals and licences from the relevant government authorities for the hypothetical development proposals on the properties based on the original dispatches or the stated hypothetical assumptions have been granted.

We have not carried out on-site measurements to verify the correctness of the sites but we have assumed that the site areas shown on the documents provided to us are correct.

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

While we have exercised our professional judgement in arriving at our valuations, you are urged to consider our valuation assumptions with caution.

## **REMARKS**

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (“HK\$”). The exchange rate adopted in this report is HK\$1 to MOP1.03, which is prevailing as of the Valuation Date.

Site inspection of the Properties were conducted on 4 November 2016 by Mr. Franco Liu, who is a corporate member of both HKIS and RICS.

Our valuations are summarized and our Valuation Certificates are enclosed herewith.

Yours faithfully  
For and on behalf of  
**Savills (Macau) Limited**  
**Franco Liu**  
*MRICS MHKIS RPS(GP)*  
*Managing Director*



## SUMMARY OF VALUES

<b>No. Property</b>	<b>Market Value as at the Valuation Date (HK\$)</b>
1. A Development Site situated at Avenida Dr. Sun Yat-Sen, Baía da Praia Grande — Zona D — Lote D2, Macau	640,000,000
2. A Development Site situated at Avenida Dr. Sun Yat-Sen, Baía da Praia Grande — Zona D — Lote D5, Macau	1,433,000,000
3. A Development Site situated at Zona dos Novos Aterros do Porto Exterior (NAPE) N°S/N Todos os Pontos Cardeais — Vias Projectadas — Lote “N25”, Macau	1,757,000,000
4. A Development Site situated at Zona dos Novos Aterros do Porto Exterior (NAPE) N°S/N — Lote 12 (A2/G), Macau	2,093,000,000
	<hr/>
<b>Total:</b>	5,923,000,000

## VALUATION CERTIFICATES

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value as at the Valuation Date
1	A Development Site situated at Avenida Dr. Sun Yat-Sen, Baía da Praia Grande — Zona D — Lote D2, Macau	<p>The property is a development site. It has a registered site area of 8,523 sq m (91,742 sq ft).</p> <p>The immediate surrounding areas in Nam Van Lake (南灣湖) and Sai Van Lake (西灣湖) are made up of reclaimed land awaiting development and/or areas of open space requiring enhancement. The Legislative Assembly and the high courts of Macau can be found towards the southern end of Avenida Panorâmica do Lago Nam Van (南灣湖景大馬路). The Macau Tower Convention &amp; Entertainment Centre, which is located at a few minutes' walking distance from the property, offers retail and F&amp;B outlets, as well as a multiplex cinema. Other facilities such as the Nam Van Lake Nautical Centre and the Headquarters of Macau Fire Services can also be found in the locality.</p> <p>The property is situated at Avenida Dr. Sun Yat-Sen near the roundabout at Baía da Praia Grande and is registered under Conservatória do Registo Predial (物業登記局) as 22524.</p> <p>The property was held under Concessão Por Arrendamento (政府租賃批地) for a lease term expired on 30 July 2016.</p>	<p>The property is partly vacant and partly occupied as “信德國旅專用停車場”.</p> <p>As advised by the Company, if the property is acquired, the property will be held for future development.</p>	HK\$640,000,000

*Notes:*

1. The property is registered under Conservatória do Registo Predial (物業登記局) as 22524 and the registered owner is Sociedade de Investimento Imobiliário Va Keng Van, S.A. Please refer to Note 5 on the Macau legal opinion.
2. According to the Dispatch No. 91/2001 dated 12 September 2001, the grantee of the property was Sociedade de Empreendimentos Nam Van, S.A. and its development rights had been transferred to Sociedade de Investimento Imobiliário Va Keng Van, S.A.
3. Upon our recent land search, no material encumbrances are registered.

4. According to the Dispatch No. 91/2001 dated 12 September 2001, the property was subject to, inter alia, the following terms and conditions:

Site Area : 8,523 sq m (91,742 sq ft)

Lease Term : For a lease term expiring on 30 July 2016 and may be renewable for further terms till 19 December 2049 in accordance with the applicable law

Use : The property should be developed into a strata title development for hotel and car parking uses. The breakdown of the gross floor area is as follows:

Use	GFA
Hotel:	80,200 sq m (863,273 sq ft)
Car park:	10,020 sq m (107,855 sq ft)

The development should be in compliance with the detailed development plan of Zone D and related regulations as stated under Dispatch No. 69/91/M dated 18 April 1991.

Annual Rent : Under development:  
MOP255,690 per annum

Upon completion:

Hotel:	MOP15.00 p.s.m.
Car park:	MOP10.00 p.s.m.

The annual rent should be reviewed in every 5 years.

Building Covenant : 72 months commencing on 18 August 1999.

Special Conditions : Sociedade de Investimento Imobiliário Va Keng Van, S.A. should comply with Clause Nos. 7 to 9 under Dispatch No. 73/SATOP/92 dated 6 July 1992 and the modified Clauses related to Dispatch No. 57/SATOP/93 dated 26 April 1993 and Dispatch No. 56/SATOP/94 dated 1 June 1994.

This dispatch is applicable to Clause Nos. 11, 15 to 18 under Dispatch No. 73/SATOP/92 and Dispatch Nos. 57/SATOP/93, 56/SATOP/94 and 71/SATOP/99.

5. According to the Macau Legal Advisors, although the lease term already expired, under Section 167 of new Land Law, it will be necessary for the Chief Executive of the Macau Government to publish a specific dispatch in the Official Gazette for the forfeiture to be effective. As of today, such dispatch has not been published so the lot remains registered under the concessionaire's ownership.

6. We have been instructed to assess the property interest on the following bases:-
- i. Hypothetically assuming the property has good legal title and is freely transferable in the market. We have also assumed the property is free from onerous encumbrances which may impact on its values;
  - ii. Hypothetically assuming the lease tenure of the property has not been expired and has an unexpired lease term of 25 years, the usual duration of lease terms for newly grant leasehold sites and shall be renewable for further terms of 10 years till 19 December 2049 in accordance with the applicable law;
  - iii. Hypothetically assuming all the development constraints immediately before the expiry of lease terms are still valid and are complied with all the prevailing laws, regulations, town planning requirements as at the Valuation Date;
  - iv. Hypothetically assuming the building covenant has been extended for the completion of the hypothetical development;
  - v. Hypothetically assuming all premium/special tax and administrative fee and the like for renewal of the leases for further terms of 10 years till 19 December 2049, if any, have been fully paid and settled as at the Valuation Date; and
  - vi. Notwithstanding any building structure, construction works, or temporary occupation can be found on the property, we have assumed that the property is a vacant site and is ready for immediately development as at the Valuation Date. Neither demolition cost nor relocation cost has been taken into account.

## VALUATION CERTIFICATES

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value as at the Valuation Date
2	A Development Site situated at Avenida Dr. Sun Yat-Sen, Baía da Praia Grande — Zona D — Lote D5, Macau	<p>The property is a development site. It has a registered site area of 3,307 sq m (35,597 sq ft).</p> <p>The immediate surrounding areas in Nam Van Lake (南灣湖) and Sai Van Lake (西灣湖) are made up of reclaimed land awaiting development and/or areas of open space requiring enhancement. The Legislative Assembly and the high courts of Macau can be found towards the southern end of Avenida Panorâmica do Lago Nam Van (南灣湖景大馬路). The Macau Tower Convention &amp; Entertainment Centre, which is located at a few minutes' walking distance from the property, offers retail and F&amp;B outlets, as well as a multiplex cinema. Other facilities such as the Nam Van Lake Nautical Centre and the Headquarters of Macau Fire Services can also be found in the locality.</p> <p>The property is situated at Avenida Dr. Sun Yat-Sen in Baía da Praia Grande and is registered under Conservatória do Registo Predial (物業登記局) as 22525.</p> <p>The property was held under Concessão Por Arrendamento (政府租賃批地) for a lease term expired on 30 July 2016.</p>	<p>The Property is currently occupied with temporary structures and cars.</p> <p>As advised by the Company, if the property is acquired, the property will be held for future development.</p>	HK\$1,433,000,000

*Notes:*

1. The property is registered under Conservatória do Registo Predial (物業登記局) as 22525 and the registered owner is Sociedade de Investimento Imobiliário Wui Keng Van, S.A. Please refer to Note 5 on the Macau legal opinion.
2. According to the Dispatch No. 92/2001 dated 12 September 2001, the grantee of the property was Sociedade de Empreendimentos Nam Van, S.A. and its development rights had been transferred to Sociedade de Investimento Imobiliário Wui Keng Van, S.A.
3. Upon our recent land search, no material encumbrances are registered against the property.

4. According to the Dispatch No. 92/2001 dated 12 September 2001, the property was subject to, inter alia, the following terms and conditions:

Site Area : 3,307 sq m (35,597 sq ft)

Lease Term : For a lease term expiring on 30 July 2016 and may be renewable for further terms till 19 December 2049 in accordance with the applicable law

Use : The property should be developed into a strata title development for residential and car parking uses. The breakdown of the gross floor area is as follows:

Use	GFA
Residential:	27,560 sq m (296,656 sq ft)
Car park:	4,140 sq m (44,563 sq ft)

The development should be in compliance with the detailed development plan of Zone D and related regulations as stated under Dispatch No. 69/91/M dated 18 April 1991.

Annual Rent : Under development:  
MOP99,210 per annum

Upon completion:

Residential:	MOP10.00 p.s.m.
Car park:	MOP10.00 p.s.m.

The annual rent should be reviewed in every 5 years.

Building Covenant : 72 months commencing on 18 August 1999.

Special Conditions : Sociedade de Investimento Imobiliário Wui Keng Van, S.A. should comply with Clause Nos. 7 to 9 under Dispatch No. 73/SATOP/92 dated 6 July 1992 and the modified Clauses related to Dispatch No. 57/SATOP/93 dated 26 April 1993 and Dispatch No. 56/SATOP/94 dated 1 June 1994.

This dispatch is applicable to Clause Nos. 11, 15 to 18 under Dispatch No. 73/SATOP/92 and Dispatch Nos. 57/SATOP/93, 56/SATOP/94 and 71/SATOP/99.

5. According to the Macau Legal Advisors, although the lease term already expired under Section 167, new Land Law, it will be necessary for the Chief Executive of the Macau Government to publish a specific dispatch in the Official Gazette for the forfeiture to be effective. As of today, such dispatch has not been published so the lot remains registered under the concessionaire's ownership.

6. We have been instructed to assess the property interest on the following bases:-
- i. Hypothetically assuming the property has good legal title and is freely transferable in the market. We have also assumed the property is free from onerous encumbrances which may impact on its value;
  - ii. Hypothetically assuming the lease tenure of the property has not been expired and has an unexpired lease term of 25 years, the usual duration of lease terms for newly grant leasehold sites and shall be renewable for further terms of 10 years till 19 December 2049 in accordance with the applicable law;
  - iii. Hypothetically assuming all the development constraints immediately before the expiry of lease terms are still valid and are complied with all the prevailing laws, regulations, town planning requirements as at the Valuation Date;
  - iv. Hypothetically assuming the building covenant has been extended for the completion of the hypothetical development;
  - v. Hypothetically assuming all premium/special tax and administrative fee and the like for renewal of the leases for further terms of 10 years till 19 December 2049, if any, have been fully paid and settled as at the Valuation Date; and
  - vi. Notwithstanding any building structure, construction works, or temporary occupation can be found on the property, we have assumed that the property is a vacant site and is ready for immediate development as at the Valuation Date. Neither demolition cost nor relocation cost has been taken into account.

## VALUATION CERTIFICATES

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value as at the Valuation Date
3	A Development Site situated at Zona dos Novos Aterros do Porto Exterior (NAPE) N°S/N Todos os Pontos Cardeais — Vias Projectadas — Lote “N25”, Macau	<p>The property is a development site. It has a registered site area of 6,480 sq m (69,751 sq ft).</p> <p>The locality is densely populated where developments are mainly in the form of high-rise commercial buildings and residential developments intermingled with various hotel and casino developments such as Starworld Hotel (星際酒店), Wynn (永利), MGM Grand (美高梅金殿), Sands (金沙), Macau Fisherman’s Wharf (澳門漁人碼頭). Neighbouring community facilities include Parque Dr. Carlos D’Assumpção (宋玉生公園), Centro Ecuménic Kun Iam (觀音蓮花苑), Centro Cultural de Macau (澳門文化中心) and Centro de Ciência de Macau (澳門科學館).</p> <p>The property is situated at Rua de Madrid, Avenida Dr. Sun Yat-Sen, Avenida Xian Xing Hai and Avenida do Governador Jamie Silvério Margues and is registered under Conservatória do Registo Predial (物業登記局) as 21942.</p> <p>The property was held under Concessão Por Arrendamento (政府租賃批地) for a lease term expired on 27 July 2015.</p>	<p>The Property is currently occupied with temporary structures and cars.</p> <p>As advised by the Company, if the property is acquired, the property will be held for future development.</p>	HK\$1,757,000,000

*Notes:*

- The property is registered under Conservatória do Registo Predial (物業登記局) as 21942 and the registered owner is Sociedade “Macau — Obras de Aterro, Limitada”. Please refer to Note 7 on the Macau legal opinion.
- Upon our recent land search, the property was subject to a Revisão da Concessão por Arrendamento (租賃批地之修正) as per memorial no. 26461F dated 5 June 2001 of which the dispatch was declared to be invalid under Dispatch No. 19/2016 dated 6 April 2016 and DSSOPT Official Notice No. 155/DAT/2016 dated 6 April 2016.
- According to the Dispatch No. 43/2001 dated 16 May 2001, the property was subject to, inter alia, the following terms and conditions:

Site Area : 6,480 sq m (69,751 sq ft)

Lease Term : For a lease term expiring on 27 July 2015 and may be renewable for further terms till 19 December 2049 in accordance with the applicable law



Use : The property should be developed into a strata title development comprising two towers of 19 storeys and 13 storeys respectively erected upon a 4-storey common podium (including podium floor). The breakdown of the gross floor area is as follows:

Use	GFA
Residential:	17,624 sq m (189,705 sq ft)
Commercial:	4,858 sq m (52,292 sq ft)
Hotel:	42,178 sq m (454,004 sq ft)
Covered car park:	7,350 sq m (79,115 sq ft)

Annual Rent : Under development:  
MOP64,800.00 per annum

Upon completion:

Residential:	MOP5.00 p.s.m.
Commercial:	MOP7.50 p.s.m.
Hotel:	MOP7.50 p.s.m.
Car park:	MOP5.00 p.s.m.

The annual rent should be reviewed in every 5 years.

Building Covenant : Expired on 29 October 2005.

4. According to the Dispatch No. 19/2016 dated 6 April 2016, the lease tenure is not renewable due to Item 1 of Clause No. 48 of new Land Law No. 10/2013. Since the lease concession is not confirmative, the dispatch is expired due to the lease expiry and is not eligible for any compensation.

5. The property was previously subject to the building alignment plan dated 27 February 2014 issued by DSSOPT. According to the said building alignment plan, the development and uses of the property contains, inter alia, the following salient terms:

i. The property is subject to the Despacho do Chefe do Executivo N° 83/2008 (第83/2008號行政長官批示) dated on 11 April 2008 and zoned under the reservation area near the neighbourhood of Farol da Guia (東望洋燈塔);

ii. The property shall be permitted for residential and hotel uses;

iii. The maximum building heights of the 3 storey podium is 13.2m NMM whereas the 13 storey residential tower ("Tower A"), above the 4th podium roof floor, shall be 54.20m NMM and the 19 storey hotel tower ("Tower B"), above the 4th podium roof floor, shall be 84.20m NMM;

iv. The maximum permitted gross floor area are as follows:-

Hotel:	42,178 sq m
Residential:	17,624 sq m
Commercial:	4,858 sq m
Carpark podium:	7,350 sq m
Covered Corridor:	680 sq m
Total:	72,690 sq m

v. Vertical construction is not permitted.

The validity of the building alignment plan had been expired. The implementation of the Urban Planning Law (城市規劃法) has become effective on 1 March 2014, after which development is subject to conditions stipulated in Urban Condition Plans (規劃條件圖) issued by the Land, Public Works and Transport Bureau (土地工務運輸局 (DSSOPT)). A prevailing Urban Condition Plan is not made available to us and we are therefore cannot report and comment on the prevailing development potential of the property.

6. According to the Despacho do Chefe do Executivo N° 83/2008 (第83/2008號行政長官批示) dated 11 April 2008, the property is located in Zona 4 which maximum building height is 90m NMM, vertical construction is not permitted and building shadow regulation has to be complied.
7. According to the Macau Legal Advisors, Sociedade “Macau — Obras de Aterro, Limitada” does not currently hold the ownership of the property under leasehold and the land has reverted back to the ownership of the Macau Government.
8. We have been instructed to assess the property interest on the following bases:-
  - i. Hypothetically assuming the property has good legal title and is freely transferable in the market. We have also assumed the property is free from onerous encumbrances which may impact on its value;
  - ii. Hypothetically assuming the lease tenure of the property has not been expired and has an unexpired lease term of 25 years, the usual duration of lease terms for newly grant leasehold sites and shall be renewable for further terms of 10 years till 19 December 2049 in accordance with the applicable law;
  - iii. Hypothetically assuming all the development constraints immediately before the expiry of lease terms are still valid and are complied with all the prevailing laws, regulations, town planning requirements as at the Valuation Date;
  - iv. Hypothetically assuming the building covenant has been extended for the completion of the hypothetical development;
  - v. Hypothetically assuming all premium/special tax and administrative fee and the like for renewal of the leases for further terms of 10 years till 19 December 2049, if any, have been fully paid and settled as at the Valuation Date; and
  - vi. Notwithstanding any building structure, construction works, or temporary occupation can be found on the property, we have assumed that the property is a vacant site and is ready for immediate development as at the Valuation Date. Neither demolition cost nor relocation cost has been taken into account.
9. Furthermore, in addition to Note 8 (iii), we have been further instructed to assess the property interest by hypothetically assuming all the development constraints stated in the dispatch of Lot B/g are permissible in the property of which are also complied with all the prevailing laws, regulations, town planning requirements as at the Valuation Date. The assessed market value of the property is HK\$1,731,000,000.
10. According to the Dispatch No. 70/2000 dated 6 September 2000, Lot B/g was subject to, inter alia, the following terms and conditions:

Site Area	:	6,480 sq m (69,751 sq ft)
Lease Term	:	For a lease term expiring on 30 July 2016 and may be renewable for further terms till 19 December 2049 in accordance with the applicable law

- Use : The property should be developed into a strata title development for commercial, residential, hotel, car parking and social facilities uses. The breakdown of the gross floor area is as follows:
- | Use                | GFA                                 |
|--------------------|-------------------------------------|
| Residential:       | 17,624 sq m (189,705 sq ft)         |
| Commercial:        | 4,858 sq m (52,292 sq ft)           |
| Hotel:             | 42,178 sq m (454,004 sq ft)         |
| Car park:          | 7,350 sq m (79,115 sq ft)           |
| Social Facilities: | 1,560 sq m (16,792 sq ft) (minimum) |
- Annual Rent : Under development:  
MOP194,400 per annum
- Upon completion:  
Commercial: MOP15.00 p.s.m.  
Residential: MOP10.00 p.s.m.  
Hotel: MOP15.00 p.s.m.  
Car park: MOP10.00 p.s.m.
- The annual rent should be reviewed in every 5 years.
- Building Covenant : 72 months commencing on 18 August 1999.
- Special Conditions : Sociedade de Investimento Imobiliário Iok Keng Van, S.A.R.L. should comply with Dispatch No. 57/SATOP/93 dated 26 April 1993 and Dispatch No. 56/SATOP/94 dated 1 June 1994 which modified Clause Nos. 7 to 9 in Dispatch No. 73/SATOP/92 dated 6 July 1992.
- This dispatch is applicable to Dispatch Nos. 57/SATOP/93, 56/SATOP/94 and 71/SATOP/99 which modified Clause Nos. 15 to 18 in Dispatch 73/SATOP/92.
11. According to the Dispatch No. 35/2004 dated 14 April 2004, the grantee of Lot B/g, Sociedade de Investimento Imobiliário Iok Keng Van, S.A.R.L., of the Lot B/g agreed to surrender the land to the government on 29 November 2002 and in return, Macau Government promised to grant one or more land site, with the salient terms are as follows:-
- Site Area : 6,480 sq m (69,751 sq ft)
- Value : MOP3,888,000.00
- Special Condition : The Grantor commits to re-grant a piece of land or pieces of lands situated at Zones C and D in Baía da Praia Grande or in area where development land possess the same gross floor area and construction capacity.
12. Lot B/g was previously subject to the building alignment plan dated 29 September 2008 issued by DSSOPT. According to the said building alignment plan, the property was permitted for hotel and casino uses. However, the validity of the building alignment plan had been expired. The implementation of the Urban Planning Law (城市規劃法) has become effective on 1 March 2014, after which development is subject to conditions stipulated in Urban Condition Plans (規劃條件圖) issued by the Land, Public Works and Transport Bureau (土地工務運輸局 (DSSOPT)).

## VALUATION CERTIFICATES

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value as at the Valuation Date
4	A Development Site situated at Zona dos Novos Aterros do Porto Exterior (NAPE) N°S/N — Lote 12 (A2/G), Macau	<p>The property is a development site. It has a registered site area of 6,480 sq m (69,751 sq ft).</p> <p>The locality is densely populated where developments are mainly in the form of high-rise commercial buildings and residential developments intermingled with various hotel and casino developments such as Starworld Hotel (星際酒店), Wynn (永利), MGM Grand (美高梅金殿), Sands (金沙), Macau Fisherman's Wharf (澳門漁人碼頭). Neighbouring community facilities include Parque Dr. Carlos D'Assumpção (宋玉生公園), Centro Ecuménic Kun Iam (觀音蓮花苑), Centro Cultural de Macau (澳門文化中心) and Centro de Ciência de Macau (澳門科學館).</p> <p>The property is situated at Rua Cidade do Porto and Rua Cidade de Braga in Novos Aterros do Porto Exterior (NAPE) and is registered under Conservatória do Registo Predial (物業登記局) as 22461.</p> <p>The property was held under Concessão Por Arrendamento (政府租賃批地) for a lease term of 25 years commencing on 6 July 1992.</p>	<p>The Property is currently a vacant site with some piling works done.</p> <p>As advised by the Company, if the property is acquired, the property will be held for future development.</p>	HK\$2,093,000,000

*Notes:*

1. The property is registered under Conservatória do Registo Predial (物業登記局) as 22461 and the registered owner is "Fomento Predial Golden Bowl, Limitada". Please refer to Note 7 on the Macau legal opinion.
2. Upon our recent land search, the property is subject to the following encumbrances:-
  - i. A mortgage (Hipoteca Voluntária or 意定抵押) in favour of Banco Tai Fung, S.A.R.L. in accordance with memorial no. 84769 C dated 28 January 2008; and
  - ii. Concessão por Arrendamento (租賃批地) was declared to be invalid under Dispatch No. 27/2016 dated 25 May 2016 and DSSOPT Official Notice No. 220/DAT/2016 dated 25 May 2016 as per memorial no. 3027 L°F13k fls dated 26 February 1994.

3. According to the Dispatch No. 80/SATOP/92 dated 6 July 1992, the property is subject to, inter alia, the following terms and conditions:

Site Area : 6,480 sq m (69,751 sq ft)

Lease Term : For a lease term of 25 years commencing on 6 July 1992 and may be renewable for further terms till 19 December 2049 in accordance with the applicable law

Use : The property should be developed into a strata title development comprising two towers of 13 storeys erected upon a 3 storey podium for commercial, residential and car parking uses. The breakdown of the gross floor area is as follows:

Use	GFA
Commercial:	5,920 sq m (63,723 sq ft)
Residential:	35,248 sq m (379,409 sq ft)
Car park:	8,372 sq m (90,116 sq ft)

Annual Rent : Under development:  
MOP129,600.00 per annum

Upon completion:	
Commercial:	MOP15.00 p.s.m.
Residential:	MOP10.00 p.s.m.
Car park:	MOP10.00 p.s.m.

The annual rent should be reviewed in every 5 years.

Building Covenant : 42 months commencing on 6 July 1992.

4. According to the Dispatch No. 27/2016 dated 25 May 2016, the dispatch was declared to be invalid due to Clause 13 of the said Dispatch and Item 1 Clause 166 and Clause 215 of new Land Law No. 10/2013. All the property erected thereon shall be surrendered to the government and free of encumbrances and it is not eligible for any compensation.

5. The property was previously subject to the building alignment plan dated 10 August 2009 issued by DSSOPT. According to the said building alignment plan, the development and use of the property contains, inter alia, the following salient terms:

- i. The property is subject to the Despacho do Chefe do Executivo N° 83/2008 (第83/2008號行政長官批示) dated on 11 April 2008 and zoned under the reservation area near the neighbourhood of Farol da Guia (東望洋燈塔);
- ii. The Property shall be permitted for residential uses;
- iii. The maximum building heights of the podium and residential tower shall be 13.6m NMM and 65m NMM respectively; and
- iv. Vertical construction is not permitted.

The validity of the building alignment plan had been expired. The implementation of the Urban Planning Law (城市規劃法) has become effective on 1 March 2014, after which development is subject to conditions stipulated in Urban Condition Plans (規劃條件圖) issued by the Land, Public Works and Transport Bureau (土地工務運輸局 (DSSOPT)). A prevailing Urban Condition Plan is not made available to us and we are therefore cannot report and comment on the prevailing development potential of the property.

6. According to the Despacho do Chefe do Executivo N° 83/2008 (第83/2008號行政長官批示) dated 11 April 2008, the property is located in Zona 4 which maximum building height is 90m NMM, vertical construction is not permitted and building shadow regulation has to be complied.
7. According to the Macau Legal Advisors, “Fomento Predial Golden Bowl, Limitada” does not currently hold the ownership of the property under leasehold and the land has reverted back to the ownership of the Macau Government.
8. We have been instructed to assess the property interest on the following bases:-
  - i. Hypothetically assuming the property has good legal title and is freely transferable in the market. We have also assumed the property is free from onerous encumbrances which may impact on its value;
  - ii. Hypothetically assuming the lease tenure of the property has not been expired and has an unexpired lease term of 25 years, the usual duration of lease terms for newly grant leasehold sites and shall be renewable for further terms of 10 years till 19 December 2049 in accordance with the applicable law;
  - iii. Hypothetically assuming all the development constraints immediately before the expiry of lease terms are still valid and are complied with all the prevailing laws, regulations, town planning requirements as at the Valuation Date;
  - iv. Hypothetically assuming the building covenant has been extended for the completion of the hypothetical development;
  - v. Hypothetically assuming all premium/special tax and administrative fee and the like for renewal of the leases for further terms of 10 years till 19 December 2049, if any, have been fully paid and settled as at the Valuation Date; and
  - vi. Notwithstanding any building structure, construction works, or temporary occupation can be found on the property, we have assumed that the property is a vacant site and is ready for immediate development as at the Valuation Date. Neither demolition cost nor relocation cost has been taken into account.
9. Furthermore, in addition to Note 8 (iii), we have been further instructed to assess the property interest by hypothetically assuming all the development constraints stated in the dispatch of Lot B/l are permissible in the property of which are also complied with all the prevailing laws, regulations, town planning requirements as at the Valuation Date. The assessed market value of the property is HK\$1,872,000,000.
10. According to the Dispatch No. 71/2000 dated 6 September 2000, Lot B/l was subject to, inter alia, the following terms and conditions:

Site Area	:	6,480 sq m (69,751 sq ft)
Lease Term	:	For a lease term expiring on 30 July 2016 and may be renewable for further terms till 19 December 2049 in accordance with the applicable law

- Use : The property should be developed into a strata title development for commercial, residential, car parking and school uses. The breakdown of the gross floor area is as follows:
- | Use          | GFA                                 |
|--------------|-------------------------------------|
| Residential: | 35,248 sq m (379,409 sq ft)         |
| Commercial:  | 4,992 sq m (53,734 sq ft)           |
| Car park:    | 8,372 sq m (90,116 sq ft)           |
| School:      | 3,744 sq m (40,300 sq ft) (minimum) |
- Annual Rent : Under development:  
MOP194,400 per annum
- Upon completion:
- |              |                 |
|--------------|-----------------|
| Residential: | MOP10.00 p.s.m. |
| Commercial:  | MOP15.00 p.s.m. |
| Car park:    | MOP10.00 p.s.m. |
- The annual rent should be reviewed in every 5 years.
- Building Covenant : 72 months commencing on 18 August 1999.
- Special Conditions : Sociedade de Investimento Imobiliário Hei Keng Van, S.A.R.L. should comply with Dispatch No. 57/SATOP/93 dated 26 April 1993 and Dispatch No. 56/SATOP/94 dated 1 June 1994 which modified Clause Nos. 7 to 9 in Dispatch No. 73/SATOP/92 dated 6 July 1992.
- Sociedade de Investimento Imobiliário Hei Keng Van, S.A.R.L. should prepare building plans and construct a school with gross floor area not less than 3,744 sq m.
- The school should be constructed with good quality purpose-built materials which had to be selected and approved by the Macau government. The construction works included road pavement, partitions, water supply and sewage facilities, lightings, air-conditioning system and security facilities.
- For a period of 2 years commencing on the temporary handover of the building, Sociedade de Investimento Imobiliário Hei Keng Van, S.A.R.L. should ensure the smooth operation of the building and should be responsible for any repair and defects rectification arising from the imperfection of construction.
- This dispatch is applicable to Dispatch Nos. 57/SATOP/93, 56/SATOP/94 and 71/SATOP/99 which modified Clause Nos. 15 to 18 in Dispatch 73/SATOP/92.
11. According to the Dispatch No. 36/2004 dated 14 April 2004, the grantee of Lot B/1, Sociedade de Investimento Imobiliário Hei Keng Van, S.A.R.L., agreed to surrender the land to the government on 29 November 2002 and in return, Macau Government promised to grant one or more land site, with the salient terms are as follows:-
- |                   |   |
|-------------------|---|
| Site Area         | : 6,480 sq m (69,751 sq ft)   |
| Value             | : MOP3,888,000.00   |
| Special Condition | : The Grantor commits to re-grant a piece of land or pieces of lands situated at Zone C and Zone D in Baía da Praia Grande or in area where development land possess the same gross floor area and construction capacity. |
12. Lot B/1 was previously subject to the building alignment plan dated 22 April 2005 issued by DSSOPT. According to the said building alignment plan, the property was permitted for hotel, residential and commercial uses. However, the validity of the building alignment plan had been expired. The implementation of the Urban Planning Law (城市規劃法) has become effective on 1 March 2014, after which development is subject to conditions stipulated in Urban Condition Plans (規劃條件圖) issued by the Land, Public Works and Transport Bureau (土地工務運輸局 (DSSOPT)).



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## **GENERAL MARKET BRIEFING IN MACAU**

We are seeing signs of stabilization in Macau residential prices after three years of steep declines in average values. Government figures show that the average overall residential transacted price grew by 7.6% in Q2/2016.

The rebound in prices was supported by a stabilization in the gross gaming revenue on the back of a lower base and the opening of the new entertainment complex “Parisian Macau” in September. After 26 months of yoy declines in gaming revenue since June 2014 which ranged from 0.1% to 48.5%, gaming revenue in October 2016 increased by 8.8% yoy.

The GDP contraction slowed to 7.1% yoy in Q2/2016, the lowest since Q3/2014 and partly reflecting a low base effect. The residential sales volume grew as well and the number of residential units transacted from January to August 2016 increased by 41.3% yoy to 5,717.

Domestic consumption and the unemployment situation seem to have remained unaffected by the contraction and median employment income in Q3/2016 stood at a record level of MOP15,000, due to the stable pipeline of infrastructure investment and the opening of the new entertainment complex.

We see a shift of focus from gaming facilities to retail concepts with entertainment elements such as cinemas and tourist attractions in the new entertainment complexes. This shift is helping to transform Macau into a diversified regional tourism and entertainment hub in accordance with the master planning of the government. Famously, Las Vegas has adopted a similar approach to broadening its sources of revenue, not necessarily to families but to nightlife and entertainment.

Looking ahead, on the residential market, we consider prices and activity levels will continue to recover over the remainder of the year. We expect the fortunes of residential prices to improve alongside a slowly recovering economy according to the latest forecast by the International Monetary



Fund the economy will grow by 0.2% to 2.6% per annum from 2017 to 2021 after a 4.7% decline in 2017. This view does not discount the fact that China's anti-corruption campaign, will continue to weigh heavily on the enclave. Measures limiting the length of stay of mainlanders and restrictions on the number of gaming table are still in play.

In view of the current market sentiment, the estimated accommodation values of residential and composite development sites in Macau, including Macau Peninsula, Taipa and Coloane, are roughly as follows:-

Residential Development Sites:

-HK\$3,500 p.s.f. to HK\$5,500 p.s.f. (approx.)

Composite Development Sites including residential, commercial and hotel uses:

-HK\$1,500 p.s.f. to HK\$3,000 p.s.f. (approx.)

For Zone C and Zone D in Nam Van, hypothetically assuming development sites are permitted for residential and composite uses, the estimated accommodation values are as follows:-

Residential Development Site:-

-HK\$4,500 p.s.f. to HK\$5,500 p.s.f. (approx.)

Composite Development Sites including residential, commercial and hotel uses:

-HK\$2,500 p.s.f. to HK\$3,000 p.s.f. (approx.)

## **LIMITATIONS ON THE MARKET BRIEFING**

This market briefing contains forward-looking statements which state **Savills (Macau) Limited's** (the "Consultant") beliefs, expectations, forecasts or predictions for the future. The Consultant stresses that all such forecasts and statements, other than statements of historical fact, outlined in this report should be regarded as an indicative assessment of possibilities rather than absolute certainties. The process of making forecasts involves assumptions about a considerable number of variables which are very sensitive to changing conditions. Variations of any one variable may significantly affect outcomes and the Consultant draws your attention to this.

The Consultant therefore can give no assurance that the forecasts outlined in this market briefing will be achieved or that such forecasts and forward-looking statements will prove to have been correct and you are cautioned not to place undue reliance on such statements. The Consultant undertakes no obligation to publicly update or revise any forward-looking statements contained in this market briefing, whether as a result of new information, future events or otherwise, except as required by law, and all forward-looking statements contained in this market briefing are qualified by reference to this cautionary statement.

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## 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

### Interests of Directors

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

#### (a) Interests of the Directors in Shares and Underlying Shares of the Company

Name of Director	Nature of interests	Number of Shares held		Approximate percentage of total issued Shares
		Personal interests	Corporate interests	
		Note	Note	Note (i)
Dr. Stanley Ho	Interests in issued shares	1,798,559	—	0.06%
	Interests in unissued shares	—	148,883,374 (iii)	4.89%
Mr. Norman Ho	Interests in underlying shares	1,132,124 (ii)	—	0.04%
Mr. Charles Ho	Interests in underlying shares	1,132,124 (ii)	—	0.04%
Mrs. Louise Mok	Interests in issued shares	471,112	—	0.02%
	Interests in underlying shares	1,132,124 (ii)	—	0.04%
Ms. Pansy Ho	Interests in issued shares	161,865,937	363,798,627 (iv)	17.28%
	Interests in issued shares	—	65,040,000 (vi)	2.14%
	Interests in unissued shares	—	148,883,374 (iii)	4.89%
Ms. Daisy Ho	Interests in issued shares	86,136,345	134,503,471 (v)	7.25%
	Interests in issued shares	—	65,040,000 (vi)	2.14%
	Interests in unissued shares	—	148,883,374 (iii)	4.89%
Ms. Maisy Ho	Interests in issued shares	38,901,203	31,717,012 (vii)	2.32%
Mr. David Shum	Interests in issued shares	5,660,377	—	0.19%

*Notes:*

- (i) As at the Latest Practicable Date, the total number of issued shares of the Company was 3,042,465,785.
- (ii) These represented the interests in underlying shares in respect of share options granted by the Company.
- (iii) These 148,883,374 unissued shares, in which Dr. Stanley Ho, Ms. Pansy Ho and Ms. Daisy Ho were deemed to be interested by virtue of the SFO, were the same parcel of shares, and represented the maximum amount of Consideration Shares to be issued to Alpha Davis pursuant to the Agreement. Alpha Davis is owned as to 47% by Innowell Investments Limited (“**IIL**”) and 53% by Megaprosper Investments Limited (“**MIL**”). IIL is wholly-owned by Dr. Stanley Ho. MIL is owned as to 51% by Ms. Pansy Ho and 39% by Ms. Daisy Ho.
- (iv) These 363,798,627 shares, in which Ms. Pansy Ho was deemed to be interested by virtue of the SFO, comprised 184,396,066 shares held by Beeston Profits Limited (“**BPL**”) and 179,402,561 shares held by Classic Time Developments Limited (“**CTDL**”). Both BPL and CTDL are wholly-owned by Ms. Pansy Ho.
- (v) These 134,503,471 shares, in which Ms. Daisy Ho was deemed to be interested by virtue of the SFO, were held by St. Lukes Investments Limited, which is wholly-owned by Ms. Daisy Ho.
- (vi) These 65,040,000 shares, in which Ms. Pansy Ho and Ms. Daisy Ho were deemed to be interested by virtue of the SFO, were the same parcel of shares, held by MIL through its wholly-owned subsidiary, Business Dragon Limited.
- (vii) These 31,717,012 shares, in which Ms. Maisy Ho was deemed to be interested by virtue of the SFO, were held by LionKing Offshore Limited, which is wholly-owned by Ms. Maisy Ho.

*(b) Interests of the Directors in Shares and Underlying Shares of Subsidiaries of the Company*

<b>Name of Director</b>	<b>Name of company</b>	<b>Corporate interests</b>	<b>Percentage of total issued shares</b>
Dr. Stanley Ho	Shun Tak Cultural Centre Limited	4 ordinary shares	40.00% Note (i)

*Note:*

- (i) As at the Latest Practicable Date, there was a total of 10 ordinary shares of Shun Tak Cultural Centre Limited in issue.

*(c) Interests of the Directors in Shares and Underlying Shares of Other Associated Corporations of the Company*

<b>Name of Director</b>	<b>Name of company</b>	<b>Corporate interests</b>	<b>Percentage of total issued shares</b>
Ms. Pansy Ho	Shun Tak & CITS Coach (Macao) Limited	1,500 shares	15.00% Note (i)

*Note:*

(i) As at the Latest Practicable Date, there was a total of 10,000 shares of Shun Tak & CITS Coach (Macao) Limited in issue.

All the interests disclosed in sub-paragraphs (a) to (c) above represented long position interests in the shares or underlying shares of the Company, its subsidiaries and its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company, its subsidiaries and its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

**Interests of substantial Shareholders in the Company**

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have, an interest or short position in the Shares or underlying Shares of the Company

which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were as follows:

Name of Shareholder		Nature of interests	Capacity	Long position/ short position	Number of Shares/ underlying Shares held	Approximate percentage of total issued Shares
		<i>Note</i>				<i>Note (i)</i>
Renita Investments Limited (“ <b>Renita</b> ”) and its subsidiary	(ii)	Interests in issued shares	Beneficial owner and interests of controlled corporation	Long position	500,658,864	16.46%
Oakmount Holdings Limited (“ <b>Oakmount</b> ”)	(ii)	Interests in issued shares	Beneficial owner	Long position	396,522,735	13.03%
Shun Tak Shipping Company, Limited (“ <b>STS</b> ”) and its subsidiaries	(iii)	Interests in issued shares	Beneficial owner and interests of controlled corporation	Long position	373,578,668	12.28%
Beeston Profits Limited (“ <b>BPL</b> ”)	(iv)	Interests in issued shares	Beneficial owner	Long position	184,396,066	6.06%
Classic Time Developments Limited (“ <b>CTDL</b> ”)	(iv)	Interests in issued shares	Beneficial owner	Long position	179,402,561	5.90%
Megaprosper Investments Limited (“ <b>MIL</b> ”)	(v)	Interests in issued shares	Interest of controlled corporation	Long position	65,040,000	2.14%
	(vi)	Interests in unissued shares	Interest of controlled corporation	Long position	148,883,374	4.89%

*Notes:*

- (i) As at the Latest Practicable Date, the total number of issued Shares of the Company was 3,042,465,785.
- (ii) These 500,658,864 shares comprised 396,522,735 shares held by Oakmount, which is wholly-owned by Renita. Accordingly, part of the interests of Renita in the Company duplicate the interests of Oakmount in the Company. Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho have beneficial interests in Renita and Oakmount. Both Ms. Pansy Ho and Ms. Daisy Ho are directors of Renita and Oakmount.
- (iii) Dr. Stanley Ho is a director of STS. Ms. Pansy Ho and Ms. Daisy Ho have beneficial interests in and are directors of STS. Mrs. Louise Mok, Ms. Maisy Ho and Mr. David Shum have beneficial interests in STS.
- (iv) Ms. Pansy Ho has 100% interests in and is a director of BPL and CTDL.
- (v) MIL is owned as to 51% by Ms. Pansy Ho and 39% by Ms. Daisy Ho. Ms. Pansy Ho and Ms. Daisy Ho are directors of MIL. These 65,040,000 shares were held by Business Dragon Limited, a wholly-owned subsidiary of MIL.
- (vi) These 148,883,374 unissued shares represented the maximum amount of Consideration Shares to be issued to Alpha Davis pursuant to the Agreement. Alpha Davis is owned as to 47% by Innowell Investments Limited (“**IIL**”) and 53% by MIL. IIL is wholly-owned by Dr. Stanley Ho.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, no other persons (not being a Director or chief executive of the Company) had, or were deemed to have, an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO.

### 3. DIRECTORS' INTERESTS IN CONTRACTS AND ARRANGEMENTS

- (a) Pursuant to the fuel arrangement extension agreement entered into between Shun Tak - China Travel Shipping Investments Limited (“**ST-CTSI**”), a non wholly-owned subsidiary of the Company, and Sociedade de Turismo e Diversões de Macau, S.A. (“**STDM**”), a company in which Dr. Stanley Ho, Mrs. Louise Mok, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum have beneficial interests, on 25 October 2013, STDM supplies and loads fuel into ST-CTSI’s vessels at the Macau Outer Harbour Terminal for its Macau shipping operations. The agreement is for a term of 3 years from 1 January 2014 to 31 December 2016. The price of fuel was determined with reference to its market price plus a small handling charge. The Company has made an announcement on 25 October 2013 and a circular to Shareholders dated 15 November 2013 in this respect.
- (b) Pursuant to a master products and services agreement (the “**Master Agreement**”) entered into between the Company and STDM on 14 December 2015, the Master Agreement set out a framework for the provision of the below products and services by the Group to STDM and its subsidiaries (the “**STDM Group**”), and vice versa, on a non-exclusive basis. The Master Agreement is for a term of 3 years from 1 January 2016 to 31 December 2018. An announcement was made by the Company on 14 December 2015.
- Provision of the products and services by the Group to the STDM Group including the following:
    - (i) sale of ferry tickets at a discount of 5% for a bulk purchase of ferry tickets by the STDM Group for its own account;
    - (ii) provision of management and operation services to hotels and other hospitality properties and business owned by the STDM Group such as hotels, Macau Tower Convention & Entertainment Centre (“**Macau Tower**”) and restaurants;
    - (iii) sale of travel products and provision of travel agency services, such as hotel accommodation and ticketing;
    - (iv) provision of other property-related services, such as property management, sale and leasing, project management and cleaning services to various properties owned by the STDM Group; and

- (v) provision of business support services such as laundry, company secretarial services, promotion and advertising, and office administrative service.
- Provision of the products and services by the STDM Group to the Group including the following:
  - (vi) sale of travel products such as hotel accommodation and Macau Tower admission tickets to the Group; and
  - (vii) provision of management services to properties owned by the Group.
- (c) The Group granted financial assistance to Shun Tak Cultural Centre Limited, a company owned as to 60% by the Group and 40% by a company in which Dr. Stanley Ho has beneficial interest. The shareholders' loan was granted by both shareholders in proportion to their respective shareholdings on an interest-free basis.
- (d) Pursuant to the master service agreement (the "**MGM Master Service Agreement**") entered into between the Company and MGM Grand Paradise Limited ("**MGM**"), a company in which Ms. Pansy Ho has indirect beneficial interest, on 24 December 2013, the MGM Master Service Agreement set out a framework for products and/or services which may be provided/demanded by the Group to/from MGM and/or its subsidiaries from time to time on a non-exclusive basis. The MGM Master Service Agreement is for a term of 3 years from 1 January 2014 to 31 December 2016 and is thereafter renewable for successive terms of 3 years by mutual agreement in writing.
- (e) Pursuant to the ferry ticket sales framework agreement (the "**Ticketing Agreement**") entered into between Shun Tak-China Travel Ship Management Limited ("**STCTSML**"), an indirect non wholly-owned subsidiary of the Company, and MPEL Services Limited ("**MPEL**"), a wholly-owned subsidiary of Melco Crown Entertainment Limited ("**MCE**") and a company in which Dr. Stanley Ho, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mrs. Louise Mok have indirect beneficial interest by virtue of their family member or relative's interests in MCE, on 7 October 2016, the STCTSML may, from time to time, sell to MCE and its subsidiaries (including MPEL) (the "**MCE Group**") the ferry tickets for ferry services operated by Shun Tak-China Travel Shipping Investments Limited and its subsidiaries (including STCTSML) at a discount on bulk purchase of ferry tickets by the MCE Group for its own account. The Ticketing Agreement is for a term from 7 October 2016 to 31 December 2018 and is thereafter renewable for successive terms of 3 years by mutual agreement in writing. An announcement was made by the Company on 7 October 2016.
- (f) Pursuant to the SPA, STNV agreed to acquire the interest in the land development right of property sites adjacent to the Macau Tower in Nam Van, Macau. The consideration for the acquisition is HK\$1,500 million which will be satisfied as to HK\$750 million in cash and as to the balance by the issuance of Shares to Alpha Davis, a company in which each of Dr. Stanley Ho, Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho has a beneficial interest.



A refundable deposit of HK\$500 million was paid by STNV to Sai Wu to extend the completion date of the acquisition without changing the consideration or its other terms of the acquisition. The long stop date of the SPA has been further extended by the Agreement.

- (g) Details of the Agreement have been set out in this circular.

Save for the contracts disclosed in this section, none of the Director was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

#### 4. DIRECTORS' INTERESTS IN ASSETS AND OTHER INTERESTS

Since 31 December 2015, being the date to which the latest published audited accounts of the Company have been made up:

- (i) the Group had entered into 25 license agreements, as licensee, with the STDM Group, as licensor, to license or renew the license to use certain premises in Macau for a term of less than 3 years from the STDM Group for an aggregate amount of approximately MOP27 million plus the turnover rent for one of the abovementioned agreements;
- (ii) on 1 March 2016, the Group had entered into a tenancy agreement, as tenant, with a subsidiary of STS, as landlord, to renew the lease of a premise in Macau for a period of 3 years from the STS group for a total rent (inclusive of management fee, government rent and housing tax) of approximately HK\$2 million for the lease period;
- (iii) on 4 July 2016, the Group had entered into a renewal license agreement, as licensee, with Shun Tak Centre Limited (“STC”), a company in which Dr. Stanley Ho has beneficial interest, as licensor, for the use of a certain lightbox located in Hong Kong for a period of 1 year from STC for a consideration of HK\$12,000; and
- (iv) on 19 September 2016, the Group had entered into a renewal tenancy agreement, as tenant, with STC, as landlord, to renew the lease of a premise in Hong Kong for a period of 2 years from STC for a consideration of approximately HK\$1 million for the lease period; and
- (v) further to (i) above, the Group proposed to enter into another lease agreement, as tenant, with STDM Group, as landlord, to renew the lease of a premise in Macau for a proposed period of 3 years for a proposed consideration of approximately MOP6 million or turnover rent, whichever is higher, for the lease period.

Save as disclosed above and herein, as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up.

**5. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or may not be terminated by the Company within one year without payment of compensation (other than statutory compensation).

**6. COMPETING INTERESTS**

As at the Latest Practicable Date, Dr. Stanley Ho, the Group executive chairman of the Board and an executive Director, is a director and shareholder of STC, which is engaged in the business of property investment. Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum, each being an executive Director, are also directors of STC.

As at the Latest Practicable Date, Dr. Stanley Ho and Ms. Pansy Ho are directors of STDM, which is engaged in the businesses of property investment, property development and/or hospitality. Ms. Daisy Ho is an appointed representative of Lanceford Company Limited, a corporate director of STDM and Mr. David Shum is an appointed representative of the Company, a corporate director of STDM.

Given the above, Dr. Stanley Ho, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum are considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

The above-mentioned competing businesses are managed by separate entities with independent management and administration. The Directors (including the independent non-executive Directors) are of the view that the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of these entities. When making decisions, the relevant Directors, in performance of their duties as Directors of the Company, have acted and will continue to act in the best interests of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any of their respective close associates was interested in any business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**7. MATERIAL ADVERSE CHANGE**

Save for the profit warning announcement published by the Group on 22 July 2016, the Directors are of the opinion that there are no material adverse changes in the financial or trading position of the Group since the date to which the latest published audited accounts of the Company have been made up.

**8. EXPERT AND CONSENT**

The following is the qualification of the expert who has been named in this circular or has given opinions, letter or advices contained in this circular:

<b>Name</b>	<b>Qualification</b>
Optima Capital Limited	a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
Savills (Macau) Limited	independent property valuer

As at the Latest Practicable Date, each of the experts named above does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have been, since 31 December 2015 (the date to which the latest published audited accounts 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.

Each of the experts named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, valuation certificate and/or references to its name in the form and context in which they are included.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Company's registered office at Penthouse 39th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:30 p.m., Mondays to Fridays (except public holidays), from the date of this circular up to and including the date of the General Meeting:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company of each of the two financial years immediately preceding the issue of this circular;
- (c) the letter and valuation certificates referred to in Appendix I to this circular;
- (d) the written consent given by the IFA and the Property Valuer;
- (e) the SPA;
- (f) the Agreement; and
- (g) this circular.

**10. MISCELLANEOUS**

- (a) The secretary of the Company is Ms. Tsang Mei Chu, Angela. She is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (b) The registered office of the Company is located at Penthouse 39th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.
- (c) The share registrar of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English language text of this circular shall prevail.

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## NOTICE OF GENERAL MEETING

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# 信德集團



SHUN TAK HOLDINGS

**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>

## NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a general meeting (the “**General Meeting**”) of Shun Tak Holdings Limited (the “**Company**”) will be held at Golden Restaurant, Macau Jockey Club (HK) Club House, 1st Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Wednesday, 14 December 2016 at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolutions numbered 1 to 2 as ordinary resolutions of the Company. Capitalised terms contained in the circular dated 29 November 2016 issued by the Company shall have the same meanings when used herein unless otherwise specified.

### ORDINARY RESOLUTIONS

#### **Resolution in relation to the Agreement**

1. “**THAT:**

- (a) the Agreement (a copy of which is tabled at the General Meeting and initialled by the chairperson of the General Meeting for identification purpose) and the transactions contemplated thereunder (including the Proposed Transfer, the payment of the Pro-rata Consideration and the Possible Revocation) be and are hereby approved, confirmed and ratified; and
- (b) the Directors (or a duly authorised committee thereof) be and are hereby authorised to do all such acts and things and to sign and execute all such documents, deeds, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to, to make any changes, modification, amendments, waivers, variations or extensions of such terms and conditions as they think fit, or otherwise in connection with paragraph (a) of this resolution no. 1”

#### **Resolution in relation to the grant of the Specific Mandate**

2. “**THAT** subject to the passing of ordinary resolution no. 1 and conditional upon the Listing Committee granting the listing of, and the permission to deal in, the Consideration Shares:

- (a) the grant of the Specific Mandate for the allotment and issue of the Consideration Shares in accordance with the terms of the Agreement be and are hereby approved; and

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## NOTICE OF GENERAL MEETING

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- (b) the Directors (or a duly authorised committee thereof) be and are hereby authorised to do all such acts and things and to sign and execute all such documents, deeds, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to, to make any changes, modification, amendments, waivers, variations or extensions of such terms and conditions as they think fit, or otherwise in connection with paragraph (a) of this resolution no. 2”

By order of the Board  
**Shun Tak Holdings Limited**  
**Angela Tsang**  
*Company Secretary*

Hong Kong, 29 November 2016

*Registered Office:*

Penthouse 39th Floor, West Tower  
Shun Tak Centre  
200 Connaught Road Central  
Hong Kong

*Notes:*

- i. A member of the Company entitled to attend and vote at the General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his/her stead. A proxy need not be a member of the Company.
- ii. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or other authority, must be deposited at the Company’s registered office not less than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof.
- iii. The register of members of the Company will be closed on Tuesday, 13 December 2016 and Wednesday, 14 December 2016, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 12 December 2016.
- iv. In accordance with article 58 of the Company’s articles of association, the resolution to be proposed at the General Meeting will be taken by poll.
- v. In case the General Meeting is anticipated to be affected by black rainstorm signal or tropical cyclone with warning signal no. 8 or above, please refer to the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> and the Company’s website at <http://www.shuntakgroup.com> for announcement on bad weather arrangement for the General Meeting.