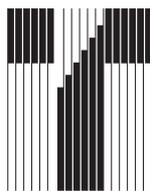

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Tern Properties Company Limited, you should at once hand this circular and the accompany form of proxy to the purchaser(s) or transferee(s) or to the bank, the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

The Securities and Futures Commission, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information only and does not constitute an invitation or offer to acquire, purchase, or subscribe for the Shares or securities in the Company.



TERN PROPERTIES COMPANY LIMITED

太興置業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 277)

(1) POSSIBLE OFF-MARKET SHARE BUY-BACK CONSTITUTING A CONNECTED TRANSACTION; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company



Essence Corporate Finance (Hong Kong) Limited

Independent Financial Adviser



Founder Securities (Hong Kong) Capital Company Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 6 to 22 of this circular. A letter from the Independent Board Committee is set out on pages 23 to 24 of this circular. A letter from Founder Securities Capital, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 25 to 55 of this circular.

A notice convening the EGM to be held at 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 30 July 2019 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you will be able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company at 26th Floor, Tern Centre, Tower I, 237 Queen's Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) if you so wish.

28 June 2019

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DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 16 May 2019 in relation to, among other things, the Share Buy-back Agreement, the Share Buy-back and the Transfer
“Beyers”	Beyers Investments Limited, a company ultimately, indirectly and wholly owned by Sow Pin Trust, a discretionary trust, the beneficiaries of which are Mr. Chan and his family members
“Board”	the board of Directors
“Business Day(s)”	a business day is a day on which the Stock Exchange is open for the transaction of business
“Buy-back Price”	HK\$5.10 per Buy-back Share payable by the Company for the Share Buy-back
“Buy-back Share(s)”	30,525,639 Shares, representing approximately 9.92% of the entire issued share capital of the Company as at the Latest Practicable Date, and legally and beneficially owned by Grand Fort and to be transferred to the Company for cancellation pursuant to the terms and conditions of the Share Buy-back Agreement
“Buy-backs Code”	the Hong Kong Code on Share Buy-backs
“Chan Concert Group”	Mr. Chan and parties acting in concert with him, including Mr. Andrew Chan, Ms. Emily Chan, Ms. Mary-ellen Chan, Smartprint, Noranger and Evergrade
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Tern Properties Company Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 277)
“connected person”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Covenantors”	collectively, Grand Fort, Mr. Chim and Mr. Law
“Deed of Undertaking”	a deed of irrevocable undertaking (as amended and supplemented by a supplemental deed of undertaking dated 16 May 2019, and extended the Long Stop Date pursuant to a letter of extension dated 13 June 2019) executed by the Covenantors on 26 April 2019 in favour of the Company
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Share Buy-back Agreement and the transactions contemplated thereunder
“Essence Corporate Finance”	Essence Corporate Finance (Hong Kong) Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the financial adviser to the Company
“Evergrade”	Evergrade Investments Limited, a company which is beneficially owned as to 50% by Mr. Chan and as to 50% by Beyers
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Founder Securities Capital” or “Independent Financial Adviser”	Founder Securities (Hong Kong) Capital Company Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and appointed as the independent financial adviser by the Company with the approval of the Independent Board Committee and to make recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Share Buy-back and the Share Buy-back Agreement
“FY2018”	the financial year ended 31 March 2018
“FY2019”	the financial year ended 31 March 2019

DEFINITIONS

“Grand Fort”	Grand Fort Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is held as to 50% by Mr. Chim and as to 50% by Mr. Law
“Group”	the Company and its subsidiaries (from time to time)
“Guarantors”	Mr. Chim and Mr. Law
“HK\$” or “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Company comprising Mr. CHAN Kwok Wai (陳國偉), Mr. TSE Lai Han, Henry (謝禮恒) and Ms. CHEUNG Chong Wai, Janet (張頌慧), each an independent non-executive Director, who has no direct or indirect interest in the Share Buy-back and the Share Buy-back Agreement, which has been established to make recommendation to the Independent Shareholders in respect of the Share Buy-back and the Share Buy-back Agreement
“Independent Shareholders”	Shareholder(s) other than (i) Grand Fort and parties acting in concert with them; (ii) the members of the Chan Concert Group, and (iii) Shareholders who have material interests or are involved in the Share Buy-back and the Transfer
“Last Trading Day”	26 April 2019, being the last trading day of the Shares on the Stock Exchange immediately prior to the entering into of the Deed of Undertaking
“Latest Practicable Date”	26 June 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 August 2019 or such other date as agreed by the parties in writing

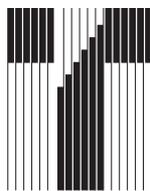
DEFINITIONS

“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuer set out in the Appendix 10 of the Listing Rules
“Mr. Andrew Chan”	Mr. CHAN Yan Tin, Andrew (陳恩典), an executive Director and a son of Mr. Chan
“Mr. Chan”	Mr. CHAN Hoi Sow (陳海壽), the chairman of the Company and an executive Director and the father of Mr. Andrew Chan, Ms. Emily Chan and Ms. Mary-ellen Chan
“Mr. Chim”	Mr. CHIM Pui Chung (詹培忠)
“Mr. Law”	Mr. LAW Fei Shing (羅輝城)
“Ms. Emily Chan”	Ms. CHAN Yan Wai, Emily (陳恩蕙), an executive Director and a daughter of Mr. Chan
“Ms. Mary-ellen Chan”	Ms. CHAN Yan Mei, Mary-ellen (陳恩美), a non-executive Director and a daughter of Mr. Chan
“NAV”	net asset value of the Group
“Noranger”	Noranger Company Limited, a company beneficially wholly owned by Beyers
“Relevant Period”	the period commencing on 17 December 2018, being the date falling six months immediately prior to the date of the Announcement, and ending on the Latest Practicable Date
“Sale Shares”	30,525,638 Shares, representing approximately 9.92% of the entire issued share capital of the Company as at the Latest Practicable Date, and legally and beneficially owned by Grand Fort and to be acquired by Smartprint from Grand Fort pursuant to the terms and conditions of the S&P Agreement
“Self-occupied Properties”	the Group’s property interests occupied by the Group in Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) in the share capital of the Company

DEFINITIONS

“Share Buy-back”	the possible buy-back of the Shares by the Company for cancellation pursuant to the terms and conditions of the Share Buy-back Agreement, which constitutes an off-market share buy-back by the Company pursuant to Rule 2 of the Buy-backs Code
“Share Buy-back Agreement”	the share buy-back agreement, substantially in an agreed form, to be entered into between Grand Fort, the Guarantors and the Company, set out in Appendix V to this circular
“Share Buy-back Completion”	completion of the Share Buy-back Agreement
“Shareholder(s)”	holder(s) of the Share(s)
“Smartprint”	Smartprint Development Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Chan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“S&P Agreement”	the conditional sale and purchase agreement dated 26 April 2019 (with the Long Stop Date extended by a letter of extension dated 13 June 2019) entered into between Grand Fort, the Guarantors and Smartprint
“S&P Completion”	completion of the S&P Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Transfer”	the conditional sale of the Sale Shares by Grand Fort to Smartprint as contemplated under the S&P Agreement
“%”	per cent.
“2018 Annual Report”	the annual report of the Company for FY2018 dated 19 June 2018
“2018 Interim Report”	the interim report of the Company for the six months ended 30 September 2018 dated 15 November 2018
“2019 Annual Results Announcement”	the annual results announcement of the Company for FY2019 dated 26 June 2019

LETTER FROM THE BOARD



TERN PROPERTIES COMPANY LIMITED

太興置業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 277)

Executive Directors:

Mr. Chan Hoi Sow (*Chairman and Managing Director*)

Mr. Chan Yan Tin, Andrew

Ms. Chan Yan Wai, Emily

Registered Office:

26th Floor

Tern Centre, Tower I

237 Queen's Road Central

Hong Kong

Non-executive Director:

Ms. Chan Yan Mei, Mary-ellen

Independent Non-executive Directors:

Mr. Chan Kwok Wai

Mr. Tse Lai Han, Henry

Ms. Cheung Chong Wai, Janet

28 June 2019

To the Shareholders

Dear Sir or Madam,

**(1) POSSIBLE OFF-MARKET SHARE BUY-BACK
CONSTITUTING A CONNECTED TRANSACTION; AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to (i) the Announcement in relation to the Deed of Undertaking, the Share Buy-back, the Share Buy-back Agreement, the Transfer and the S&P Agreement; and (ii) the announcement of the Company dated 13 June 2019 in relation to the extension of long stop date of the Deed of Undertaking and the Long Stop Date of the S&P Agreement.

LETTER FROM THE BOARD

On 26 April 2019 (after trading hours), the Covenantors executed the Deed of Undertaking in favour of the Company undertaking to execute the Share Buy-back Agreement relating to an off-market share buy-back by the Company from Grand Fort of 30,525,639 Buy-back Shares, representing approximately 9.92% of the entire issued share capital of the Company as at the Latest Practicable Date.

The Company is a company incorporated in Hong Kong. Under Section 240 of the Companies Ordinance, a listed company may buy back its own shares, otherwise than under section 238 (share buy-back under general offer) or section 239 (share buy-back on recognised stock market or approved stock exchange) of the Companies Ordinance, if the contract for buy-back of the shares is authorised in advance by special resolution.

Although the form of the draft Share Buy-back Agreement has been negotiated and finalised between the Covenantors and the Company, the Company will not execute the Share Buy-back Agreement unless and until (i) the passing of the requisite resolution by at least three-fourths of the vote cast on a poll by the Independent Shareholders present in person or by proxy at a general meeting of the Company approving the Share Buy-back Agreement; (ii) the Executive having approved the Share Buy-back pursuant to the Buy-backs Code (and such approval not having been withdrawn or revoked and the condition(s) of such approval (if any) having been satisfied); and (iii) the Executive having granted a waiver in favour of Noranger from its obligation to make a general offer for the Shares which would otherwise arise as a result of Share Buy-back Completion pursuant to note 6 to Rule 26.1 of the Takeovers Code (and such waiver not having been withdrawn or revoked and the condition(s) of such waiver (if any) having been satisfied). It is the Company's intention to enter into the Share Buy-back Agreement with Grand Fort after the above conditions are satisfied.

The purpose of this circular is to provide you with, among other things, (i) details of the Share Buy-back Agreement; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders on the Share Buy-back and the Share Buy-back Agreement; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Share Buy-back and the Share Buy-back Agreement; (iv) other information as required to be disclosed under the Buy-backs Code, the Takeovers Code and the Listing Rules; and (v) the notice of the EGM.

THE SHARE BUY-BACK

The Deed of Undertaking

Date

26 April 2019 (after trading hours)

Parties

(i) the Covenantors

LETTER FROM THE BOARD

- (ii) the Company

The Deed of Undertaking shall take effect commencing on 26 April 2019 and shall be terminated upon the earlier of (i) 30 August 2019 (or such other date as the parties may agree in writing) (as extended from 2 July 2019 to 30 August 2019 pursuant to a letter of extension dated 13 June 2019); and (ii) by agreement of the parties in writing.

Each of the Covenantors has irrevocably undertaken to the Company that, after:

- (i) the passing of the requisite resolution by at least three-fourths of the vote cast on a poll by the Independent Shareholders present in person or by proxy at a general meeting of the Company approving the Share Buy-back Agreement;
- (ii) the Executive having approved the Share Buy-back pursuant to the Buy-backs Code (and such approval not having been withdrawn or revoked and the condition(s) of such approval (if any) having been satisfied); and
- (iii) the Executive having granted a waiver in favour of Noranger from its obligation to make a general offer for the Shares which would otherwise arise as a result of Share Buy-back Completion pursuant to note 6 to Rule 26.1 of the Takeovers Code (and such waiver not having been withdrawn or revoked and the condition(s) of such waiver (if any) having been satisfied),

each of the Covenantors shall execute and deliver the Share Buy-back Agreement to the Company on the later of (i) 2 July 2019; and (ii) the third Business Day after the satisfaction of the abovementioned conditions.

The Share Buy-back Agreement

Parties

- (i) Grand Fort (as seller)
- (ii) Mr. Chim (as one of the Guarantors)
- (iii) Mr. Law (as one of the Guarantors)
- (iv) the Company (as purchaser)

Buy-back Shares

Subject to the terms and conditions of the Share Buy-back Agreement, Grand Fort conditionally agrees to sell and the Company conditionally agrees to buy back the 30,525,639 Buy-back Shares (including each right attaching to the Buy-back Shares and free from any encumbrance), representing approximately 9.92% of the entire issued share capital of the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

Consideration

The total consideration for the Buy-back Shares is HK\$155,680,758.90 (equivalent to HK\$5.10 per Buy-back Share) which was determined after arm's length negotiation between Grand Fort and the Company, and taking into account (i) the prevailing market conditions; (ii) the low liquidity of the Shares; (iii) the current market prices of the Shares; (iv) the NAV value per Share; and (v) the opportunity to restore the public float of the Company. The consideration will be settled in cash by the Company.

As confirmed and according to the disclosure of interest forms filed by Grand Fort, Mr. Chim and Mr. Law with the Stock Exchange on 6 September 2016, the average purchase cost of the Buy-back Shares of Grand Fort was HK\$3.25 per Share.

Adjusted consolidated NAV

The Self-occupied Properties are classified as "Leasehold land" and stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. If taking into account the fair value of the Self-occupied Properties of HK\$127,100,000 with reference to the valuation report issued by Jones Lang LaSalle Limited as set out in Appendix III to this circular, the adjusted consolidated NAV as at 31 March 2019 would be:-

Valuation of the Self-occupied Properties as at 31 March 2019	(a)	HK\$ 127,100,000
Less: Carrying amounts of the Self-occupied Properties as at 31 March 2019	(b)	HK\$ 14,922,000
		<hr/>
Valuation surplus of the Self-occupied Properties	(c)=(a)-(b)	HK\$ 112,178,000
Add: Audited consolidated NAV as at 31 March 2019	(d)	<u>HK\$3,739,917,000</u>
Adjusted consolidated NAV as at 31 March 2019	(e)=(c)+(d)	<u>HK\$3,852,095,000</u>

Comparison of value

The Buy-back Price of HK\$5.10 per Buy-back Share represents:

- (i) a premium of approximately 6.25% over the closing price of HK\$4.80 per Share as quoted on the Stock Exchange on 26 June 2019, being the Latest Practicable Date;
- (ii) a premium of approximately 28.46% over the closing price of HK\$3.97 per Share as quoted on the Stock Exchange on 26 April 2019, being the Last Trading Day;

LETTER FROM THE BOARD

- (iii) a premium of approximately 28.46% over the average closing price of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$3.97 per Share;
- (iv) a premium of approximately 28.79% over the average closing price of the Shares as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$3.96 per Share;
- (v) a premium of approximately 24.69% over the average closing price of the Shares as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$4.09 per Share;
- (vi) a premium of approximately 22.01% over the average closing price of the Shares as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$4.18 per Share;
- (vii) a premium of approximately 22.01% over the average closing price of the Shares as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the Last Trading Day of approximately HK\$4.18 per Share;
- (viii) a premium of approximately 14.35% over the average closing price of the Shares as quoted on the Stock Exchange for the last 360 consecutive trading days up to and including the Last Trading Day of approximately HK\$4.46 per Share;
- (ix) a discount of approximately 57.99% to the audited consolidated net asset value of the Group of approximately HK\$12.14 per Share (based on a total of 307,758,522 Shares in issue as at the Latest Practicable Date and the audited consolidated net asset value of the Group of HK\$3,735,855,000 as at 31 March 2018, as disclosed in the 2018 Annual Report);
- (x) a discount of approximately 57.78% to the unaudited consolidated NAV of approximately HK\$12.08 per Share (based on a total of 307,758,522 Shares in issue as at the Latest Practicable Date and the unaudited consolidated NAV of HK\$3,718,158,000 as at 30 September 2018, as disclosed in the 2018 Interim Report);
- (xi) a discount of approximately 58.02% to the audited consolidated NAV of approximately HK\$12.15 per Share (based on a total of 307,758,522 Shares in issue as at the Latest Practicable Date and the audited consolidated NAV of HK\$3,739,917,000 as at 31 March 2019, as disclosed in the 2019 Annual Results Announcement); and
- (xii) a discount of approximately 59.27% to the adjusted audited consolidated NAV of approximately HK\$12.52 per Share (based on a total of 307,758,522 Shares in issue as at the Latest Practicable Date and the adjusted audited consolidated NAV of HK\$3,852,095,000 as at 31 March 2019 as illustrated in the paragraph headed “Adjusted consolidated NAV” above).

LETTER FROM THE BOARD

Taking into consideration that the Group is involved in an asset-intensive business, whereby a majority of its assets are investment properties, the Board considers that the unaudited consolidated NAV as at 30 September 2018 per Share (i.e. approximately HK\$12.08 per Share) is a more appropriate benchmark over the current market price and it is substantially higher than the Buy-back Price. Although the Buy-back Price represents a premium of more than 20% over the current market price of the Shares, the Board considers that the market price level is relatively of less significance as it would not be possible for the Company to purchase sufficient number of Shares in the open market at such price levels and with any certainty. From 1 September 2016 (when the public float fell below the required minimum) up to and including the Last Trading Day, only an aggregate of 802,459 Shares were traded in the open market, representing approximately 2.6% of the 30,525,639 Buy-back Shares. In view of the above, the Board considers that the Share Buy-back is a good opportunity for the Company to buy back its Shares at a reasonable price at a significant discount to the NAV per Share even though the consideration is higher than the market price.

Conditions precedent to Share Buy-back Completion

Share Buy-back Completion is conditional upon the satisfaction (or waiver by the Company) of the following conditions precedent:

- (i) the Company having sufficient reserves to effect the Share Buy-back in compliance with the relevant law and regulations;
- (ii) the warranties provided by Grand Fort and the Guarantors under the Share Buy-back Agreement remaining true, accurate and not misleading in all respects; and
- (iii) the conditions precedent under the S&P Agreement having been fulfilled or waived (as the case may be) (save for the condition requiring the Share Buy-back Agreement to become unconditional).

The Company may, at its absolute discretion, waive conditions (ii) and (iii) above. Condition (i) is not waivable as the Company will need to ensure that it has sufficient reserves before implementing the Share Buy-back. As at the Latest Practicable Date, condition (i) has been fulfilled, and the other conditions have not been fulfilled or waived.

In the event that any of the above conditions are not satisfied or waived (as applicable) on or before 5:00 p.m. on the expiry of two months from the date of the Share Buy-back Agreement or such later date as agreed by the parties in writing, the Share Buy-back Agreement shall cease and determine.

LETTER FROM THE BOARD

Share Buy-back Completion

Share Buy-back Completion will take place on the fifth Business Day after the conditions under the Share Buy-back Agreement have been fulfilled or waived or such other date as the parties may agree in writing.

If the Company declares, pays or makes a dividend or distribution with the record date before Share Buy-back Completion, Grand Fort is entitled to receive such dividend and distribution.

Share Buy-back Completion and S&P Completion are inter-conditional and shall take place simultaneously.

Following Share Buy-back Completion, the Buy-back Shares will be transferred to the Company and cancelled. The percentage interest of all Shareholders in the issued share capital of the Company will be proportionally increased following the cancellation to the Buy-back Shares and the resulting reduction in the number of the issued Shares.

THE TRANSFER

On 26 April 2019 (after trading hours), being the same date of execution of the Deed of Undertaking, the Board was informed by Mr. Chan that, Grand Fort (as seller), Mr. Chim and Mr. Law (as the Guarantors), and Smartprint (as purchaser) have entered into the S&P Agreement, pursuant to which Smartprint conditionally agreed to acquire and Grand Fort conditionally agreed to sell the 30,525,638 Sale Shares, representing approximately 9.92% of the entire issued share capital of the Company as at the Latest Practicable Date. Smartprint is a company wholly owned by Mr. Chan.

Immediately prior to Share Buy-back Completion, S&P Completion and cancellation of the Buy-back Shares, the Chan Concert Group was interested in an aggregate of 174,564,896 Shares, representing approximately 56.72% of the entire issued share capital of the Company as at the Latest Practicable Date. Immediately upon Share Buy-back Completion, S&P Completion and cancellation of the Buy-back Shares, the Chan Concert Group will be interested in an aggregate of 205,090,534 Shares, representing approximately 73.98% of the entire issued share capital of the Company.

The S&P Agreement

Date

26 April 2019 (after trading hours)

Parties

- (i) Grand Fort (as seller)
- (ii) Mr. Chim (as one of the Guarantors)

LETTER FROM THE BOARD

(iii) Mr. Law (as one of the Guarantors)

(iv) Smartprint (as purchaser)

Shares to be transferred

Subject to the terms and conditions of the S&P Agreement, Grand Fort conditionally agreed to sell and Smartprint conditionally agreed to acquire the 30,525,638 Sale Shares, representing approximately 9.92% of the entire issued share capital of the Company as at the Latest Practicable Date.

Consideration

The total consideration for the Sale Shares is HK\$155,680,753.80 (equivalent to HK\$5.10 per Sale Share) which was determined after arm's length negotiation between Grand Fort and Smartprint, and taking into account the consideration for each Buy-back Share. The consideration for each Sale Share is the same as the consideration for each Buy-back Share to be acquired by the Company pursuant to the Share Buy-back Agreement. The total consideration will be settled in cash by Mr. Chan's own financial resources.

Conditions precedent to S&P Completion

S&P Completion is conditional upon the satisfaction (or waiver by Smartprint) of the following conditions precedent:

- (i) the warranties provided by Grand Fort and the Guarantors under the S&P Agreement remaining true, accurate and not misleading in all respects; and
- (ii) the conditions precedent under the Share Buy-back Agreement having been fulfilled or waived (as the case may be) (save for the condition requiring the S&P Agreement to become unconditional).

Smartprint may, at its absolute discretion, waive conditions (i) and (ii) above.

In the event that any of the above conditions are not satisfied or waived (as applicable) on or before 5:00 p.m. on the Long Stop Date (as extended from 2 July 2019 to 30 August 2019 pursuant to a letter of extension dated 13 June 2019), the S&P Agreement shall cease and determine.

S&P Completion

S&P Completion will take place on the fifth Business Day after the conditions contemplated under the S&P Agreement have been fulfilled or waived or such other date as the parties may agree in writing.

S&P Completion and Buy-back Completion are inter-conditional and shall take place simultaneously.

LETTER FROM THE BOARD

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the Company's shareholding structure (i) as at the Latest Practicable Date; (ii) immediately upon Share Buy-back Completion and cancellation of the Buy-back Shares; and (iii) immediately upon Share Buy-back Completion, S&P Completion and cancellation of the Buy-back Shares:

	As at the Latest Practicable Date		Immediately upon Share Buy-back Completion and cancellation of the Buy-back Shares		Immediately upon Share Buy-back Completion, S&P Completion and cancellation of the Buy-back Shares	
	<i>No. of Shares</i>		<i>No. of Shares</i>		<i>No. of Shares</i>	
		<i>Approx. %</i>		<i>Approx. %</i>		<i>Approx. %</i>
Mr. Chan (Notes 1, 2 & 3)	2,036,000	0.66	2,036,000	0.73	2,036,000	0.73
Smartprint	–	0.00	–	0.00	30,525,638	11.01
Noranger (Note 2)	145,914,000	47.41	145,914,000	52.63	145,914,000	52.63
Evergrade (Note 3)	25,822,896	8.39	25,822,896	9.32	25,822,896	9.32
Mr. Andrew Chan (Note 4)	792,000	0.26	792,000	0.29	792,000	0.29
<i>Sub-total of the Chan Concert Group</i>	174,564,896	56.72	174,564,896	62.97	205,090,534	73.98
Grand Fort	61,051,277	19.84	30,525,638	11.01	–	0.00
<i>Non-public Shareholders</i>	235,616,173	76.56	205,090,534	73.98	205,090,534	73.98
<i>Public Shareholders</i>	72,142,349	23.44	72,142,349	26.02	72,142,349	26.02
Total	307,758,522	100.00	277,232,883	100.00	277,232,883	100.00

Notes:

- Mr. Chan is beneficially interested in 2,036,000 Shares.
- Noranger is wholly owned by Beyers which is indirectly owned by Sow Pin Trust, a discretionary trust, the beneficiaries of which are Mr. Chan and his family members. Mr. Chan is the founder of Sow Pin Trust. Credit Suisse Trust Limited, the trustee of Sow Pin Trust, is the holding company of Brock Nominees Limited which wholly owned Global Heritage Group Limited and in turn wholly owned Beyers.
- Evergrade is beneficially owned as to 50% by Mr. Chan and as to 50% by Beyers.
- Mr. Andrew Chan, an executive Director and a son of Mr. Chan, is beneficially interested in 792,000 Shares.

LETTER FROM THE BOARD

As illustrated above, the public float of the Company shall be restored and will be above the minimum prescribed percentage of 25% as required under Rule 8.08 of the Listing Rules after Share Buy-back Completion, S&P Completion and cancellation of the Buy-back Shares.

In addition, it is the intention of the Company to continue to meet the public float requirements under Rule 8.08 of the Listing Rules immediately upon Share Buy-back Completion, S&P Completion and cancellation of the Buy-back Shares.

INFORMATION ON THE COMPANY

The Company, an investment holding company, is incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 277). The Group is principally engaged in property investment and treasury investment.

As at the Latest Practicable Date, there were 307,758,522 Shares in issue. The Company did not have any outstanding options, derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into Shares or other types of equity interest as at the Latest Practicable Date.

Set out below is the audited consolidated financial information of the Group for the two financial years ended 31 March 2019:

	For the year ended	
	31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	80,270	81,260
Net profit before taxation	34,650	119,811
Profit attributable to owners of the Company	25,534	110,225

	As at 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets	3,739,917	3,735,855

LETTER FROM THE BOARD

INFORMATION ON GRAND FORT

Grand Fort is an investment holding company and is held as to 50% by Mr. Chim and as to 50% by Mr. Law. As at the Latest Practicable Date, Grand Fort is a substantial Shareholder holding 61,051,277 Shares, representing approximately 19.84% of the entire issued share capital of the Company. It is independent of the Directors and other substantial Shareholders. It does not have a representative on the Board and has not been involved in the management of the Group.

REASONS FOR AND BENEFITS OF THE SHARE BUY-BACK

Shortfall in the Public Float

The main purpose of the Share Buy-back is to restore the public float of the Company. As disclosed in the section headed “Effects on the Shareholding Structure of the Company” above, as at the Latest Practicable Date, the aggregate interests of the Chan Concert Group and Grand Fort are approximately 76.56%, and therefore only approximately 23.44% of the Shares are held by the public, which is below the minimum prescribed percentage of 25% under Rule 8.08 of the Listing Rules.

References are made to the announcements of the Company dated (i) 30 September 2016; (ii) 7 November 2016; (iii) 7 December 2016; (iv) 10 January 2017; (v) 10 February 2017; (vi) 10 March 2017; (vii) 10 April 2017; (viii) 11 May 2017; (ix) 13 June 2017; (x) 13 July 2017; (xi) 17 August 2017; (xii) 19 September 2017; (xiii) 21 December 2017; (xiv) 27 March 2018; (xv) 28 June 2018; (xvi) 4 October 2018; (xvii) 2 January 2019; and (xviii) 12 April 2019, in relation to the shortfall in the public float of the Company. As disclosed in the aforementioned announcements, the Company is of the view that the shortfall in the public float arose solely from the acquisition of 61,051,277 Shares by Grand Fort on 1 September 2016.

The Company has been considering various options to restore public float, and considered that an off-market share buy-back from a substantial Shareholder on commercially reasonable terms would be a feasible option. Immediately upon Share Buy-back Completion, S&P Completion and cancellation of the Buy-back Shares, the public float would be restored to approximately 26.02% which would meet the prescribed requirement under Rule 8.08 of the Listing Rules.

Grand Fort to Dispose of its Investment in One Single Disposal

Grand Fort intends to realise its investment in the Company for other investment opportunities and to dispose of all the Shares held by it in one single disposal. It does not intend to hold any Shares after completion of the sale of the Buy-back Shares and the Sale Shares.

LETTER FROM THE BOARD

Taking into consideration that Grand Fort intends to dispose of all the 61,051,277 Shares held by it in one single disposal, to reduce the financial burden of the Company and to demonstrate Mr. Chan's confidence in the future of the Group, Mr. Chan had agreed to purchase a portion of the Shares held by Grand Fort. It is a commercial term that each of Smartprint and the Company will purchase 50% of the Shares held by Grand Fort and the parties would require Share Buy-back Completion and S&P Completion to be inter-conditional such that the disposal of all the Shares held by Grand Fort can take place at the same time.

Proposed Implementation of the Share Buy-back

The Company has also taken into consideration the following before implementing the Share Buy-back:

- (i) the Company would be able to restore its public float requirement under the Listing Rules upon Share Buy-back Completion and cancellation of the Buy-back Shares;
- (ii) as the liquidity of the Shares is low, with only 802,459 Shares having been traded in the open market from 1 September 2016 (where the public float of the Shares fell below the required minimum) up to and including the Last Trading Day, it is difficult to issue and/or place new Shares to investors without a substantial discount to the Share prices, whilst the issue of new Shares will have dilution effect on the shareholding of all the existing Shareholders as a whole;
- (iii) the Buy-back Price per Share is at a substantial discount of approximately 57.78% and 58.02% to the consolidated NAV of approximately HK\$12.08 per Share and HK\$12.15 per Share as at 30 September 2018 and 31 March 2019, respectively;
- (iv) there will be a buffer of approximately 1.02% over the minimum public float requirement of 25% under Rule 8.08 of the Listing Rules;
- (v) the Share Buy-back is a good opportunity to enhance the earnings per Share and the rate of return on capital of the Company; and
- (vi) the Share Buy-back will result in an approximately 6.36%, 6.34% and 6.47% enhancement in the NAV per Share attributable to the owners of the Company based on the unaudited consolidated NAV of HK\$3,718,158,000 as at 30 September 2018 (as disclosed in the 2018 Interim Report), audited consolidated NAV of HK\$3,739,917,000 as at 31 March 2019 (as disclosed in the 2019 Annual Results Announcement) and adjusted consolidated NAV of HK\$3,852,095,000 as at 31 March 2019 (as illustrated under the paragraph headed "Adjusted consolidated NAV" above), respectively.

LETTER FROM THE BOARD

In view of the above, Mr. Chan, Mr. Andrew Chan and Ms. Emily Chan, the executive Directors, and Ms. Mary-ellen Chan, the non-executive Director, after taking into account the above factors, considered that whilst the Share Buy-back is not in the ordinary and usual course of business of the Company, the Share Buy-back is a good opportunity to restore the public float of the Company and the terms of the Share Buy-back and the Share Buy-back Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE SHARE BUY-BACK

(i) Net assets per Share

Based on the unaudited pro forma consolidated financial information of the Group as set out in Appendix II to this circular and assuming that the Share Buy-back had taken place on 31 March 2019, the Group's unaudited net assets per Share as at 31 March 2019 would have increased by approximately 6.34% from approximately HK\$12.15 per Share to approximately HK\$12.92 per Share.

(ii) Basic earnings per Share

Assuming that the Share Buy-back had taken place on 31 March 2019, the Share Buy-back will not have financial impact on the results of the Group and the net profit attributable to owners of the Company for FY2019 would remain unchanged at approximately HK\$25.53 million. As the number of issued Shares would decrease from 307,758,522 Shares to 277,232,883 Shares, the Group's basic earnings per Share would have increased by approximately 10.96% from approximately HK8.30 cents per Share to approximately HK9.21 cents per Share.

(iii) Total liabilities

The consideration of the Share Buy-back will be settled in cash and funded by the Company's available cash flow. Assuming that the Share Buy-back had taken place on 31 March 2019 and the Buy-back Shares have been bought back in full and cancelled, the total liabilities would remain unchanged.

(iv) Working capital

Based on the unaudited pro forma consolidated financial information of the Group as set out in Appendix II to this circular and assuming that the Share Buy-back had taken place on 31 March 2019, the working capital (expressed as net current assets) would decrease by approximately 59.28% from approximately HK\$265.5 million to approximately HK\$108.1 million.

Based on the above, the Company considers that the Share Buy-back will have no material adverse effect on the Group's net assets per Share, basic earnings per Share and total liabilities. The Company continues to maintain sufficient and adequate working capital for its operations.

LETTER FROM THE BOARD

REGULATORY REQUIREMENTS

Listing Rules Implications

As at the Latest Practicable Date, Grand Fort is a substantial Shareholder holding 61,051,277 Shares, which represent approximately 19.84% of the entire issued share capital of the Company, and is thus a connected person of the Company. Accordingly, the entering into of the Share Buy-back Agreement shall constitute a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Buy-backs Code Implications

The Share Buy-back constitutes an off-market share buy-back by the Company under the Buy-backs Code. The Company has made an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Independent Shareholders in attendance in person or by proxy at a general meeting of the Company.

The execution of the Share Buy-back Agreement is conditional upon, among other things, the Share Buy-back having been approved by the Executive. Therefore, the Company will not proceed with the Share Buy-back unless the Executive has granted the relevant approval. There is no assurance that such approval will be granted or that all other conditions precedent to the Share Buy-back will be fulfilled.

As at the Latest Practicable Date, the Chan Concert Group is interested in an aggregate of 174,564,896 Shares, representing approximately 56.72% of the entire issued share capital of the Company. Out of the 174,564,896 Shares, (i) 2,036,000 Shares (representing approximately 0.66% of the entire issued share capital of the Company as at the Latest Practicable Date) are beneficially held by Mr. Chan; (ii) 792,000 Shares (representing approximately 0.26% of the entire issued share capital of the Company as at the Latest Practicable Date) are beneficially held by Mr. Andrew Chan; and (iii) 171,736,896 Shares (representing approximately 55.80% of the entire issued share capital of the Company as at the Latest Practicable Date) are held as to 145,914,000 Shares (representing approximately 47.41% of the entire issued share capital of the Company as at the Latest Practicable Date) by Noranger and as to 25,822,896 Shares (representing approximately 8.39% of the entire issued share capital of the Company as at the Latest Practicable Date) by Evergrade.

The issued share capital of Noranger is beneficially wholly owned by Beyers and the issued share capital of Evergrade is beneficially owned as to 50% by Mr. Chan and as to 50% by Beyers. Beyers is ultimately, indirectly and wholly owned by Sow Pin Trust, a discretionary trust, the founder of which is Mr. Chan and the beneficiaries of which are Mr. Chan and his

LETTER FROM THE BOARD

family members. Immediately upon Share Buy-back Completion, S&P Completion and cancellation of the Buy-back Shares, the Chan Concert Group will be interested in an aggregate of 205,090,534 Shares, representing approximately 73.98% of the entire issued share capital of the Company.

As Smartprint is wholly owned by Mr. Chan and the S&P Agreement is inter-conditional with the Share Buy-back Agreement, Mr. Chan and his family members, including Mr. Andrew Chan, Ms. Emily Chan and Ms. Mary-ellen Chan, and the corporations controlled by Mr. Chan, namely Noranger and Evergrade, have material interests and involved in the Share Buy-back. As such, Mr. Chan, Mr. Andrew Chan, Ms. Emily Chan, Ms. Mary-ellen Chan have abstained from voting on the relevant Board resolutions to approve the Share Buy-back. Save for the abovementioned Directors, no other Director has a material interest in the Deed of Undertaking, the Share Buy-back Agreement and the Share Buy-back, and is required to abstain from voting on the relevant Board resolutions.

As disclosed above and as required by the Buy-backs Code, the following Shareholders have a material interest and involved in the Share Buy-back which is different from the interests of all other Shareholders, and shall abstain from voting on the resolution to be proposed at the EGM for approving the Share Buy-Back Agreement and the Share Buy-back:

- (i) Grand Fort (which holds 61,051,277 Shares representing approximately 19.84% of the entire issued share capital of the Company as at the Latest Practicable Date);
- (ii) Mr. Chan (who holds 2,036,000 Shares representing approximately 0.66% of the entire issued share capital of the Company as at the Latest Practicable Date);
- (iii) Mr. Andrew Chan (who holds 792,000 Shares representing approximately 0.26% of the entire issued share capital of the Company as at the Latest Practicable Date);
- (iv) Noranger (which holds 145,914,000 Shares representing approximately 47.41% of the entire issued share capital of the Company as at the Latest Practicable Date); and
- (v) Evergrade (which holds 25,822,896 Shares representing approximately 8.39% of the entire issued share capital of the Company as at the Latest Practicable Date).

Other Takeovers Code Implications

As at the Latest Practicable Date, Noranger is interested in 145,914,000 Shares, representing approximately 47.41% of the entire issued share capital of the Company. Immediately after Share Buy-back Completion and cancellation of the Buy-back Shares, the shareholding of Noranger in the Company will increase from approximately 47.41% to 52.63% giving rise to an obligation on the part of Noranger to make a general offer for all the Shares not already owned or agreed to be acquired by Noranger and the parties acting in concert with it under Rule 26.1 of the Takeovers Code.

LETTER FROM THE BOARD

The Board has been informed that Noranger has applied to the Executive for a waiver in respect of the obligation of Noranger to make a general offer for all the issued Shares not already owned or agreed to be acquired by Noranger and parties acting in concert with it which may otherwise arise as a result of the Share Buy-back. If the waiver is not granted to Noranger, the parties to the Deed of Undertaking will not enter into the Share Buy-back Agreement and the Share Buy-back will not proceed.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 25 July 2019 to Tuesday, 30 July 2019 (both dates inclusive) for determining the entitlements to attend the EGM. No transfer of Shares will be registered during this period. Shareholders are reminded that, in order to qualify for attendance of the EGM, they must lodge completed transfer forms together with the certificates for the relevant Shares with the Registrar not later than 4:30 p.m. on Wednesday, 24 July 2019.

EGM

The notice convening the EGM to be held at 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 30 July 2019 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. The EGM will be held to consider and, if thought fit, approve the Share Buy-back Agreement and the transactions contemplated thereunder.

Grand Fort, Mr. Chan, Mr. Andrew Chan, Noranger and Evergrade have a material interest and involved in the Share Buy-back which is different from the interests of all other Shareholders, and shall abstain from voting on the resolution to be proposed at the EGM for approving the Share Buy-Back Agreement and the Share Buy-back. For further details, please refer to the section headed “Buy-backs Code Implications” above.

The form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company at 26th Floor, Tern Centre, Tower 1, 237 Queen’s Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) if you so wish.

VOTING BY WAY OF POLL

All votes at the EGM will be taken by poll in accordance to the Buy-backs Code, the Takeovers Code and the Listing Rules.

LETTER FROM THE BOARD

GENERAL

The Independent Board Committee comprising all of the three independent non-executive Directors, namely Mr. Chan Kwok Wai, Mr. Tse Lai Han, Henry and Ms. Cheung Chong Wai, Janet, has been established to consider the Share Buy-back and to give recommendation to the Independent Shareholders as to whether the terms of the Share Buy-back and the Share Buy-back Agreement are fair and reasonable and make recommendation on voting. As mentioned above, Ms. Mary-ellen Chan, the non-executive Director, has a material interest and involved in the Share Buy-back, and is therefore excluded from the Independent Board Committee in giving recommendation in respect of the Share Buy-back and the Share Buy-back Agreement.

Founder Securities Capital has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Share Buy-back and the Share Buy-back Agreement are fair and reasonable and make recommendation on voting.

RECOMMENDATION

On the basis of the information set out in this circular, Mr. Chan, Mr. Andrew Chan and Ms. Emily Chan, the executive Directors, and Ms. Mary-ellen Chan, the non-executive Director, after taking into account the above factors, considered that whilst the Share Buy-back is not in the ordinary and usual course of business of the Company, the Share Buy-back is a good opportunity to restore the public float of the Company and the terms of the Share Buy-back and the Share Buy-back Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. As such, the aforementioned Directors recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM. The Independent Shareholders are advised to read carefully the letter from the Independent Board Committee set out on pages 23 to 24 of this circular and the letter from Founder Securities Capital set out on pages 25 to 55 of this circular before deciding as to how to vote on the relevant resolution to be proposed at the EGM.

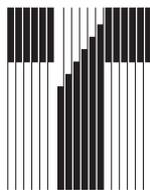
FURTHER INFORMATION

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

By order of the Board of
Tern Properties Company Limited
Chan Hoi Sow
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation to the Independent Shareholders from the Independent Board Committee regarding the Share Buy-back Agreement and the transactions contemplated thereunder, for the purpose of incorporation in this circular.



TERN PROPERTIES COMPANY LIMITED

太興置業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 277)

28 June 2019

To the Independent Shareholders

Dear Sir or Madam,

POSSIBLE OFF-MARKET SHARE BUY-BACK CONSTITUTING A CONNECTED TRANSACTION

We refer to the circular dated 28 June 2019 issued by the Company (the “**Circular**”) of which this letter forms part. Capitalised terms used herein, unless otherwise stated, shall have the same meanings as those defined in the Circular.

We have been appointed as the Independent Board Committee to consider and advise the Independent Shareholders as to our opinion on whether the terms of the Share Buy-back and the Share Buy-back Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and make recommendation on voting by the Independent Shareholders.

Founder Securities Capital has been approved by the Independent Board Committee and appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice and the principal factors considered by it in arriving at its advice and recommendation are set out in the “Letter from the Independent Financial Adviser” on pages 25 to 55 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 22 of the Circular and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Taking into account the terms of the Share Buy-back and the Share Buy-back Agreement and the principal factors and reasons considered by Founder Securities Capital, its conclusion and advice, we consider that the terms of the Share Buy-back and the Share Buy-back Agreement are fair and reasonable, insofar as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Share Buy-back and the Share Buy-back Agreement contemplated thereunder.

Yours faithfully,
Independent Board Committee

Chan Kwok Wai

Tse Lai Han, Henry
Independent non-executive Directors

Cheung Chong Wai, Janet

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Founder Securities (Hong Kong) Capital Company Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in relation to the Share Buy-back and the Share Buy-back Agreement which has been prepared for the purpose of inclusion in this circular.



Room 1710-1719,
Jardine House,
1 Connaught Place,
Hong Kong, Central

28 June 2019

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

POSSIBLE OFF-MARKET SHARE BUY-BACK CONSTITUTING A CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to make recommendation to the Independent Board Committee and the Independent Shareholders on the Share Buy-back and the Share Buy-back Agreement, details of which are set out in the section headed “Letter from the Board” (the “**Letter from the Board**”) contained in the circular dated 28 June 2019 (the “**Circular**”) issued by the Board to the Shareholders, of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Share Buy-Back

Reference is made to (i) the Announcement in relation to the Deed of Undertaking, the Share Buy-back, the Share Buy-back Agreement, the Transfer and the S&P Agreement; and (ii) the announcement of the Company dated 13 June 2019 in relation to the extension of long stop date of the Deed of Undertaking and the Long Stop Date of the S&P Agreement. On 26 April 2019 (after trading hours), Grand Fort, Mr. Chim and Mr. Law (collectively being the Covenantors) executed the Deed of Undertaking (as amended and supplemental on 16 May 2019) in favour of the Company undertaking to execute the Share Buy-back Agreement relating to an off-market share buy-back by the Company from Grand Fort of 30,525,639 Buy-back Shares, representing approximately 9.92% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to the terms of the Share Buy-back Agreement, the total consideration of the Buy-back Shares is approximately HK\$155.68 million (equivalent to HK\$5.10 per Buy-back Share).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Following Share Buy-back Completion, the Buy-back Shares will be transferred to the Company and cancelled. The percentage interest of all Shareholders in the issued share capital of the Company will be proportionally increased following the cancellation to the Buy-back Shares and the resulting reduction in the number of issued Shares.

The Transfer

On 26 April 2019 (after trading hours), being the same date of execution of the Deed of Undertaking, the Board was informed by Mr. Chan that, Grand Fort (as seller), Mr. Chim and Mr. Law (as the Guarantors), and Smartprint (as purchaser) have entered into the S&P Agreement, pursuant to which Smartprint conditionally agreed to acquire and Grand Fort conditionally agreed to sell the 30,525,638 Sale Shares, representing approximately 9.92% of the entire issued share capital of the Company as at the Latest Practicable Date. Smartprint is a company wholly owned by Mr. Chan.

Share Buy-back Completion and S&P Completion are inter-conditional and shall take place simultaneously.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Grand Fort, being the seller of the Share Buy-back, is a substantial Shareholder holding 61,051,277 Shares, which represent approximately 19.84% of the entire issued share capital of the Company, and is thus a connected person of the Company. Accordingly, the entering into of the Share Buy-back Agreement shall constitute a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BUY-BACKS CODE IMPLICATIONS

The Share Buy-back constitutes an off-market share buy-back by the Company under the Buy-backs Code. The Company has made an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Independent Shareholders in attendance in person or by proxy at a general meeting of the Company.

The execution of the Share Buy-back Agreement is conditional upon, among other things, the Share Buy-back having been approved by the Executive. Therefore, the Company will not proceed with the Share Buy-back unless the Executive has granted the relevant approval. There is no assurance that such approval will be granted or that all other conditions precedent to the Share Buy-back will be fulfilled.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the Chan Concert Group is interested in an aggregate of 174,564,896 Shares, representing approximately 56.72% of the entire issued share capital of the Company. Out of the 174,564,896 Shares, (i) 2,036,000 Shares (representing approximately 0.66% of the entire issued share capital of the Company as at the Latest Practicable Date) are beneficially held by Mr. Chan; (ii) 792,000 Shares (representing approximately 0.26% of the entire issued share capital of the Company as at the Latest Practicable Date) are beneficially held by Mr. Andrew Chan; and (iii) 171,736,896 Shares (representing approximately 55.80% of the entire issued share capital of the Company as at the Latest Practicable Date) are held as to 145,914,000 Shares (representing approximately 47.41% of the entire issued share capital of the Company as at the Latest Practicable Date) by Noranger and as to 25,822,896 Shares (representing approximately 8.39% of the entire issued share capital of the Company as at the Latest Practicable Date) by Evergrade.

The issued share capital of Noranger is beneficially wholly owned by Beyers and the issued share capital of Evergrade is beneficially owned as to 50% by Mr. Chan and as to 50% by Beyers. Beyers is ultimately, indirectly and wholly owned by Sow Pin Trust, a discretionary trust, the founder of which is Mr. Chan and the beneficiaries of which are Mr. Chan and his family members. Immediately upon Share Buy-back Completion, S&P Completion cancellation of the Buy-back Shares, the Chan Concert Group will be interested in an aggregate of 205,090,534 Shares, representing approximately 73.98% of the entire issued share capital of the Company.

As Smartprint is wholly owned by Mr. Chan and the S&P Agreement is inter-conditional with the Share Buy-back Agreement, Mr. Chan and his family members, including Mr. Andrew Chan, Ms. Emily Chan and Ms. Mary-ellen Chan, and the corporations controlled by Mr. Chan, namely Noranger and Evergrade, have material interests and involved in the Share Buy-back. As such, Mr. Chan, Mr. Andrew Chan, Ms. Emily Chan, Ms. Mary-ellen Chan have abstained from voting on the relevant Board resolutions to approve the Share Buy-back. Save for the abovementioned Directors, no other Director has a material interest in the Deed of Undertaking, the Share Buy-back Agreement and the Share Buy-back, and is required to abstain from voting on the relevant Board resolutions.

Grand Fort, Mr. Chan, Mr. Andrew Chan, Noranger and Evergrade have a material interest and involved in the Share Buy-back which is different from the interests of all other Shareholders, and shall abstain from voting on the resolution to be proposed at the EGM for approving the Share Buy-back Agreement and the Share Buy-back.

OTHER TAKEOVERS CODE IMPLICATIONS

As at the Latest Practicable Date, Noranger is interested in 145,914,000 Shares, representing approximately 47.41% of the entire issued share capital of the Company. Immediately after Share Buy-back Completion and cancellation of the Buy-back Shares, the shareholding of Noranger in the Company will increase from approximately 47.41% to 52.63%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

giving rise to an obligation on the part of Noranger to make a general offer for all the Shares not already owned or agreed to be acquired by Noranger and the parties acting in concert with it under Rule 26.1 of the Takeovers Code.

The Board has been informed that Noranger has applied to the Executive for a waiver in respect of the obligation of Noranger to make a general offer for all the issued Shares not already owned or agreed to be acquired by Noranger and parties acting in concert with it which may otherwise arise as a result of the Share Buy-back. If the waiver is not granted to Noranger, the parties to the Deed of Undertaking will not enter into the Share Buy-back Agreement and the Share Buy-back will not proceed.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. CHAN Kwok Wai, Mr. TSE Lai Han, Henry and Ms. CHEUNG Chong Wai, Janet has been established to advise the Independent Shareholders as to (i) whether the Share Buy-back and the terms of the Share Buy-back Agreement are fair and reasonable and in the interests of the Independent Shareholders; and (ii) how the Independent Shareholders should vote at the EGM to approve the Share Buy-back. We, Founder Securities Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on these matters.

INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company, Grand Fort or their respective substantial Shareholders or close associates or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. In the past two years preceding the Latest Practicable Date, there has been no other engagement between the Company and us. Apart from the normal professional fees payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company, Grand Fort or their respective substantial Shareholders or close associates. Accordingly, we are considered to be eligible to give an independent advice on the Share Buy-back and the Share Buy-back Agreement.

As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Share Buy-back and the terms of the Share Buy-back Agreement are fair and reasonable and in the interests of the Independent Shareholders; and (ii) how the Independent Shareholders should vote at the EGM to approve the Share Buy-back and the Share Buy-back Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things, (i) the Deed of Undertaking; (ii) the Share Buy-back Agreement; (iii) the S&P Agreement; (iv) the annual reports of the Company for the financial year ended 31 March 2017 (the “**2017 Annual Report**”) and the 2018 Annual Report; (v) the 2019 Annual Results Announcement; (vi) the valuation report for the properties of the Group situated in Hong Kong (the “**Hong Kong Valuation Report**”) and the valuation report for the property of the Group situated in Canada (the “**Canadian Valuation Report**”, collectively the “**Valuation Reports**”) as set out in Appendix III to the Circular; and (vii) other information as set out in the Circular.

In addition, we have relied on (i) the statements, information, opinions and representations expressed to us by the Company and/or the Directors and/or the management of the Group; (ii) the information, facts and representations contained or referred to in the Circular; and (iii) our review of the relevant public information and statistics. We have assumed that all such statements, information, opinions and representations expressed to us by the Company and/or the Directors and/or the management of the Group, for which they are solely responsible, are true, accurate and complete in all material aspects and not misleading or deceptive at the time they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all the opinions and representations have been reasonably made by the Company and/or the Directors and/or the management of the Group after due and careful enquiry.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth, accuracy and the completeness of the information provided. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion. We have not, however, conducted any independent investigation into the business and affairs of the Company, Grand Fort or any of its subsidiaries and associates, nor have we carried out any independent verification of the information supplied.

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‘The Directors jointly and severally accept full responsibility, include particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquires, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive in any material respects, and there are no other matters the omission of which would make any statement herein or in the Circular misleading.

The Company will notify the Independent Shareholders of any material changes to the information contained or referred to in the Circular as soon as possible in accordance with Rule 9.1 of the Takeovers Code after the Latest Practicable Date and after the despatch of the Circular. Independent Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion after the Latest Practicable Date and up to and including the date of the EGM.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Share Buy-back and the Share Buy-back Agreement. Except for its inclusion in the Circular, this letter may not be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Share Buy-back, we have taken into account the principal factors and reasons set out below:

1. Information on the Group and Grand Fort

(a) Principal business of the Group

As stated in the Letter from the Board, the Company is principally engaged in property investment and treasury investment. The property investment represents the operations of property investment and property leasing, while treasury investment represents the investment in debt and equity securities.

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(b) Historical financial information of the Group

Set out below are tables summarizing the financial highlights of the audited consolidated financial information of the Group for the financial years ended 31 March 2016 (the “**FY2016**”), 2017 (the “**FY2017**”), the FY2018 and the FY2019 being extracted from the 2017 Annual Report, the 2018 Annual Report and the 2019 Annual Results Announcement:

	Year ended 31 March			
	2019	2018	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Revenue	80,270	81,260	97,273	104,841
Property expenses	(2,294)	(2,992)	(1,979)	(1,254)
Gross profit	77,976	78,268	95,294	103,587
(Decrease)/increase in fair value of investment properties	(15,917)	13,592	(102,498)	(138,621)
Revaluation of financial assets at fair value through profit or loss	(46)	(1,029)	–	–
(Loss)/gain in relation with the disposal of financial assets (<i>Note 1</i>)	(30,940)	13,543	1,755	3,115
Interest income	40,458	45,600	28,744	19,670
Profit/(loss) attributable to owners of the Company	25,534	110,255	(29,312)	(58,072)
	As at 31 March			
	2019	2018	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Cash and cash equivalents	277,808	63,339	33,842	45,750
Total assets	4,072,309	4,146,932	3,923,625	3,744,877
Total liabilities	332,392	411,077	278,968	64,560
Net assets	3,739,917	3,735,855	3,644,657	3,680,317

Note:

- The (loss)/gain in relation with the disposal of financial assets includes the realised (loss)/gain on (i) disposal of financial assets/debt instruments at fair value through other comprehensive income; (ii) disposal of available-for-sale financial assets; and (iii) disposal of financial assets held for trading.

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i. Audited consolidated results for the FY2017 as compared to the FY2016

The revenue of the Group for the FY2017 amounted to approximately HK\$97.27 million, representing a year-on-year decrease of approximately 7.22%. This was primarily due to (i) a decrease in rental rates of most of the Group's commercial shop and office properties as recorded upon renewal; and (ii) a slight decrease in the Group's rental portfolio occupancy rate by approximately 3.20% to approximately 96.30% as recorded for the FY2017. Notwithstanding the decrease in revenue of the Group, the Group recorded a lesser extent of net loss of approximately HK\$29.31 million for the FY2017, representing a decrease of approximately 49.52% as compared with the net loss of approximately HK\$58.07 million for the FY2016. As explained in the 2017 Annual Report, the loss incurred by the Group was narrowed due to (i) an increase in interest income from Group's investments in debt securities by approximately 46.13%; and (ii) a lesser decrease in fair value of investment properties upon revaluation as at the end of the FY2017.

The Group's cash and cash equivalents decreased from approximately HK\$45.75 million to approximately HK\$33.84 million as at the end of FY2017, representing a year-on-year decrease of approximately HK\$11.91 million or 26.03%. Such decrease was mainly due to (i) the investments in debt securities in excess of the fund generated from the operating activities and (ii) the renewal of the bank loans. Despite the decrease in cash and cash equivalents and increase in secured bank borrowing for approximately HK\$28.00 million, the net assets of the Group remained relatively steady at approximately HK\$3.64 billion as at the end of the FY2017.

ii. Audited consolidated results for the FY2018 as compared to the FY2017

The revenue of the Group for the FY2018 amounted to approximately HK\$81.26 million, representing a year-on-year decrease of approximately 16.46%. Same as the previous years, the decrease in rental rates of the Group's commercial shop and office properties upon renewal was the major reason for the decrease in revenue, despite such decrease was partly offset by the slight increase in the Group's rental portfolio occupancy rate by approximately 1.50% to approximately 97.80% as recorded for the FY2018. The Group had achieved a net profit turnaround of approximately HK\$110.26 million for the FY2018, such increase in net profit of approximately HK\$139.57 million was mainly attributable to (i) an increase in interest income from the Group's investments in debt securities by approximately 58.64%; and (ii) an increase in fair value of investment properties upon revaluation as at the end of the FY2018.

The Group's cash and cash equivalents increased from approximately HK\$33.84 million to approximately HK\$63.34 million at the end of the FY2018, representing a year-on-year increase of approximately HK\$29.50 million or approximately 87.16%. Such increase was due to the reason that the fund generated from the operations and the renewal of the bank loans outweigh the fund used for the investments in debt securities. While as contributed by the increase of approximately HK\$70.50 million of the available-for-sale financial assets redeemable within one year, the Group recorded a slight increase in its net assets of approximately 2.50% as at the end of the FY2018.

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iii. Audited consolidated results for the FY2019 as compared to the FY2018

According to the 2019 Annual Results Announcement, there was a slight decrease in revenue of the Group of approximately 1.22% to approximately HK\$80.27 million as compared with the FY2018, which was mainly attributable to the decrease in rental rate of the Group's commercial shop and office properties upon its renewal during the FY2019. In general, the Group's gross rental income remained relatively flat for the FY2019 as compared to the FY2018. However, due to the loss derived from (i) the disposal of the Group's investments in debt securities in view of the macroeconomic uncertainty due to the US-China trade war; and (ii) a decrease in fair value of the investment properties upon revaluation at the end of the FY2019 since the rental rates of commercial shops in Hong Kong have shown a downward trend during the FY 2019, the net profit recorded for the FY2019 decreased by approximately 76.84% to approximately HK\$25.53 million, as compared with approximately HK\$110.26 million recorded for the FY2018.

We also note that the increase in the Group's cash and cash equivalents of approximately 338.60% to approximately HK\$277.81 million was mainly due to the proceeds received from the disposal of investments in debt securities to reduce its exposure to financial risks. Meanwhile, the Company has reduced the amount of bank borrowings in current liabilities of the Group to approximately HK\$11.80 million as at the year end of the FY2019, representing a decrease of approximately 85.67% as compared to approximately HK\$82.41 million as at the year end of the FY2018. The net assets of the Group remained at a steady level of approximately HK\$3.74 billion at the end of the FY2019.

In the light of the above and taking into account the fact that the financial performance of the Group is subject to (i) the fluctuations in rental income due to the speculative market environment and macroeconomic uncertainty in Hong Kong; and (ii) the mark-to-market price volatility of the financial assets which is positively correlated with the global stock market and the debt market performance, the Independent Shareholders should be mindful of the unstable nature of these uncontrollable market conditions.

As set out in the Letter from the Board, the consideration of the Share Buy-back will be settled in cash and funded by the Company's available cash flow. Despite the moderate fluctuation in the Group's profitability in the past few years, the overall financial position of the Group has remained strong and stable in general. Taking into account the amount of cash resources held by the Company as at the Latest Practicable Date, we are of the view that the Company has adequate financial resources to finance the Share Buy-back, which allowed the Company to take advantage of the opportunity to eliminate the public float insufficiency issue and enhance the Shareholders' value via the Share Buy-back as well as enjoy the benefits as stated in the paragraph headed "*Reasons for and benefits of the Share Buy-back*" below.

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(c) Information on Grand Fort

Grand Fort is an investment holding company and is held as to 50% by Mr. Chim and 50% by Mr. Law. As at the Latest Practicable Date, Grand Fort is a substantial Shareholder holding 61,051,277 Shares, representing approximately 19.84% of the entire issued share capital of the Company.

As set out in the Letter from the Board, Grand Fort is independent of the Directors and other substantial Shareholders, and does not have a representative on the Board and has not been involved in the management of the Group. As Grand Fort by its nature is a passive financial investor, we are of the view that the Share Buy-back would not cause any adverse impact on the daily operation and decision making of the Company.

2. Principal terms of the Deed of Undertaking and the Share Buy-back Agreement

(a) The Deed of Undertaking

On 26 April 2019 (after trading hours), the Covenantors and the Company entered into of the Deed of Undertaking (as amended and supplemented on 16 May 2019) in favour of the Company whereby each of the Covenantors has irrevocably undertaken to the Company, among other things, that subject to: (i) the passing of the requisite resolution by at least three-fourths of the vote cast on a poll by the Independent Shareholders present in person or by proxy at a general meeting of the Company approving the Share Buy-back Agreement; (ii) the Executive having approved the Share Buy-back pursuant to the Buy-backs Code (and such approval not having been withdrawn or revoked and the condition(s) of such approval (if any) having been satisfied); and (iii) the Executive having granted a waiver in favour of Noranger from its obligation to make a general offer for the Shares which would otherwise arise as a result of Share Buy-back Completion pursuant to note 6 to Rule 26.1 of the Takeovers Code (and such waiver not having been withdrawn or revoked and the condition(s) of such waiver (if any) having been satisfied), each of the Covenantors shall execute and deliver the Share Buy-back Agreement to the Company on the later of (i) 2 July 2019; and (ii) the third Business Day after the satisfaction of the conditions set out in the Deed of Undertaking.

We note that imposing the aforesaid conditions to the execution of the Deed of Undertaking solely arose from the legal obligation of the Company to comply with the regulatory requirement under the Buy-back Code which represents a fair and reasonable mechanism providing the Independent Shareholders with the right to opt for approving or rejecting the Share Buy-back.

(b) The Share Buy-back Agreement

On 26 April 2019 (after trading hours), Grand Fort, the Guarantors and the Company entered into of the Share Buy-back Agreement, pursuant to which Grand Fort conditionally agrees to sell and the Company conditionally agrees to buy back the 30,525,639 Buy-back Shares, representing approximately 9.92% of the entire issued share capital of the Company as at the Latest Practicable Date with a total consideration of HK\$155.68 million (equivalent to HK\$5.10 per Buy-back Share). The completion of the Share Buy-back Agreement is conditional upon the satisfaction, among other things, the Company having sufficient reserves to effect the Share Buy-back in compliance with the relevant law and regulations.

Under Section 240 of the Companies Ordinance, a listed company may buy back its own shares, otherwise than under section 238 (share buy-back under general offer) or section 239 (share buy-back on recognised stock market or approved stock exchange) of the Companies Ordinance, if the contract for buy-back of the shares is authorised in advance by special resolution. As the Company is incorporated in Hong Kong, the above arrangement is simply to comply with such regulatory requirement.

3. Reasons for and benefits of the Share Buy-back

(i) Reasons for the entering into of the Share Buy-back Agreement

As set out in the Letter from the Board, the main purpose of the Share Buy-back is to restore the public float of the Company. We have reviewed the announcements of the Company dated (i) 30 September 2016; (ii) 7 November 2016; (iii) 7 December 2016; (iv) 10 January 2017; (v) 10 February 2017; (vi) 10 March 2017; (vii) 10 April 2017; (viii) 11 May 2017; (ix) 13 June 2017; (x) 13 July 2017; (xi) 17 August 2017; (xii) 19 September 2017; (xiii) 21 December 2017; (xiv) 27 March 2018; (xv) 28 June 2018; (xvi) 4 October 2018; (xvii) 2 January 2019; and (xviii) 12 April 2019, in relation to the shortfall in the public float of the Company (individually the “**Public Float Announcement**”, and collectively the “**Public Float Announcements**”). We note that the public float of the Company has been remaining at the level of approximately 23.44% since the date of the initial Public Float Announcement (i.e. 30 September 2016) up to the Last Trading Day (the “**Public Float Insufficiency Period**”), which falls below the minimum prescribed percentage of 25% as required under Rule 8.08 of the Listing Rules.

We have also obtained and reviewed the correspondence between the Company and the Stock Exchange regarding the matters relating to the public float restoration of the Company. We have further discussed with the management of the Company and understand that, during the Public Float Insufficiency Period, the Company endeavored to formulate a plan to restore its public float and had reviewed and assessed various options to achieve such purpose including rights issue, placing of new shares, procuring the Chan Concert Group and/or Grand Fort to sell part of the Shares held by them and the

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on-market share buy-back. As advised by the management of the Company, we note that the Share Buy-back was concluded to be the only viable means to restore the public float after taking into account the following factors:

- (1) the Company is not able to ascertain whether its public float could be restored by the way of rights issue given that the number of rights shares to be taken up by the Shareholders is unpredictable;
- (2) the Company does not have immediate funding need given its steady stream of income generated from the property investment and treasury of the Group. Besides, having considered that (i) the audited consolidated NAV per Share as at 31 March 2019 amounted to approximately HK\$12.15 and (ii) the audited consolidated adjusted NAV after taking into account the fair value of Self-occupied Properties (the “**Adjusted NAV**”) per Share as at 31 March 2019 amounted to approximately HK\$12.52, the Directors were of the view that the placement of new Shares at the then prevailing market price level (for reference purpose, the closing price of the Shares was HK\$3.97 as at the Last Trading Day) represents a deep discount to the audited consolidated NAV per Share as well as the audited consolidated Adjusted NAV per Share and therefore would not be in the best interest of the Company and the Shareholders as a whole even if such placement could have been implemented;
- (3) the Chan Concert Group has been the controlling Shareholder for over 20 years. As at the Latest Practicable Date, the Chan Concert Group was interested in an aggregate of 174,564,896 Shares, representing approximately 56.72% of the entire issued share capital of the Company, which is slightly above the level of 50% (which is commonly known as the absolute control level). Given that the Chan Concert Group has been playing a significant role in the management of the Company and is important to the stability and sustainability of the Group’s business, the Company considered that procuring the Chan Concert Group to dispose of part of its Shares might accordingly weaken the influence of the Chan Concert Group over the Group and therefore is not in the best interest of the Shareholders and the Company as a whole. Furthermore, the Chan Concert Group had indicated its unwillingness to sell any Shares held by them;
- (4) Grand Fort would only consider realising its investment in the Company for other investment opportunities through disposing of all the Shares held by it in one single disposal but not partial disposal;
- (5) the liquidity of the Shares remained extremely low for the Public Float Insufficiency Period (as further elaborated in the paragraph headed “*Analysis of the historical liquidity of the Shares*” below); it would be difficult for the Company to repurchase sufficient number of Shares to restore its public float in the open market at such low liquidity of the Shares and with any certainty by way of the on-market share buy-back; and

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- (6) due to (i) the lack of liquidity of the Shares; (ii) the intention of the Chan Concert Group not to sell any Shares for the sake of business stability; and (iii) the reluctance of Grand Fort to make partial disposal of Shares, the on-market disposal of Shares by either the Chan Concert Group or Grand Fort are not considered possible options to restore public float of the Company.

Taking into consideration the practicability of different options as mentioned above, we are of the view that the off-market share buy-back from Grand Fort is the comparatively more feasible option to restore the public float of the Company.

(ii) Reasons for the entering into of the S&P Agreement inter-conditional to the Share Buy-back Agreement

We understand from the management of the Company that the Board was determined to resolve the public float shortfall problem through the Share Buy-Back whilst it was the expectation of the Company not to drain away large amount of its capital.

However, as stated in the Letter from the Board, Grand Fort intends to realise its investment in the Company for other investment opportunities and to dispose of all the Shares held by it in one single disposal. Grand Fort does not intend to hold any Shares after completion of the sale of the Buy-back Shares and the Sale Shares. We further note that Grand Fort would not consider partial disposal of the Shares held by it.

Notwithstanding that the off-market share buy-back from a substantial Shareholder is considered as the comparatively more feasible option to restore the public float of the Company, the Share Buy-Back can only be implemented by the Company by virtue of the proposed acquisition of the entire interest in the Company held by Grand Fort in a single purchase. In order to reduce the financial burden of the Company and to demonstrate Mr. Chan's confidence in the future of the Group, Mr. Chan had agreed to purchase a portion of the Shares held by Grand Fort so that each of Smartprint (a company wholly owned by Mr. Chan) and the Company will purchase 50% of the Shares held by Grand Fort pursuant to the S&P Agreement and the Share Buy-back Agreement respectively. The parties would require Share Buy-back Completion and S&P Completion to be inter-conditional such that the disposal of all the Shares held by Grand Fort can take place at the same time.

We consider that the entering into of the S&P Agreement and the Transfer contemplated thereunder represents a kind of support from the controlling Shareholder to aid the Company in satisfying the public float restoration requirement and a pragmatic approach to help the Company preserve capital for daily operation and future investment when appropriate opportunities arise.

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(iii) Benefits of the Share Buy-back

The Share Buy-back could enhance the NAV per Share and dividend yield ratio of the Group. Based on the audited consolidated NAV of approximately HK\$3,739.92 million as at 31 March 2019 as disclosed in the 2019 Annual Results Announcement; the audited consolidated Adjusted NAV of approximately HK\$3,852.10 million as at 31 March 2019 as disclosed in the section headed “*Adjusted consolidated net asset value*” in the Letter from the Board; and a total of 307,758,522 Shares in issue as at the Latest Practicable Date, the audited consolidated NAV per Share and the audited consolidated Adjusted NAV per Share as at 31 March 2019 were approximately HK\$12.15 and approximately HK\$12.52 respectively. Assuming the Share Buy-back had taken place on 31 March 2019, immediately upon Share Buy-back Completion, S&P Completion and cancellation of the Buy-back Shares, the number of issued Shares would decrease from 307,758,522 Shares to 277,232,883 Shares. The audited consolidated NAV per Share as at 31 March 2019 would have increased from approximately HK\$12.15 to approximately HK\$12.92 (having taken into account the unaudited pro forma NAV would have been approximately HK\$3,582.93 million after Share Buy-back completion in accordance with the “*Unaudited Pro Forma Financial Information of the Group*” as set out in the Appendix II of the Circular), representing an enhancement of approximately 6.34%. The audited consolidated Adjusted NAV per Share as at 31 March 2019 would have increased from approximately HK\$12.52 to approximately HK\$13.33 (having taken into account the unaudited pro forma Adjusted NAV would have been approximately HK\$3,694.66 million after making the same pro forma adjustments as to the “*Unaudited Pro Forma Financial Information of the Group*” as set out in the Appendix II of the Circular), representing an enhancement of approximately 6.47%.

The total dividend paid by the Company for the FY2019 amounted to approximately HK\$16.60 million, comprising an interim dividend of approximately HK2.20 cents per Share for the six months ended 30 September 2018 and a final dividend of approximately HK3.20 cents per Share for the year ended 31 March 2019 with the total number of 307,758,522 issued Shares for the FY2019. Assuming that the Share Buy-back had taken place on 31 March 2019, dividend yield ratio calculated by the closing price as at the Last Trading Day and dividend payout remains unchanged, the dividend yield ratio of the Company would have increased from approximately 1.31% to approximately 1.51%.

The gearing ratio of the Company as at 31 March 2019 was approximately 8.89% which was calculated by dividing the total liabilities of approximately HK\$332.39 million by the total equity of approximately HK\$3,739.92 million as at 31 March 2019. Assuming that the Share Buy-back had taken place on 31 March 2019, the gearing ratio of the Company would have been slightly increased by approximately 0.39% to approximately 9.28% since the consideration of the Share Buy-back is expected to be settled in cash and funded by the Company’s internal resources which shall have no impact on the total liabilities but will lead to a slight decrease in the total equity after cancellation of the Buy-back Shares.

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As advised by the management of Company, the Company is able to maintain adequate working capital for its continuous operations after Share Buy-back Completion and the Share Buy-back shall only have very limited impact on the financial position of the Company.

Taking into account the factors that the Share Buy-back (i) provides the Company with a feasible opportunity and represents a pragmatic approach which could effectively serve to restore the public float of the Company; (ii) could create the Shareholders' value by enhancing earnings per Share and dividend yield ratio; and (iii) does not cause material adverse effect to the financial position of the Company despite that there will be a slight increase in the gearing ratio, we are of the view that the terms of the Share Buy-back Agreement by the Company are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Analysis of the Buy-back Price

(a) Analysis of the historical market price of the Shares

The Buy-back Price of HK\$5.10 per Sale Share is equal to the price per Buy-back Share payable by the Company under the Share Buy-back Agreement and represents:

- (i) a premium of approximately 6.25% over the closing price of HK\$4.80 per Share as quoted on the Stock Exchange on 26 June 2019, being the Latest Practicable Date;
- (ii) a premium of approximately 28.46% over the closing price of HK\$3.97 per Share as quoted on the Stock Exchange on 26 April 2019, being the Last Trading Day;
- (iii) a premium of approximately 28.46% over the average closing price of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$3.97 per Share;
- (iv) a premium of approximately 28.79% over the average closing price of the Shares as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$3.96 per Share;
- (v) a premium of approximately 24.69% over the average closing price of the Shares as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$4.09 per Share;
- (vi) a premium of approximately 22.01% over the average closing price of the Shares as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$4.18 per Share;

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- (vii) a premium of approximately 22.01% over the average closing price of the Shares as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the Last Trading Day of approximately HK\$4.18 per Share;
- (viii) a premium of approximately 14.35% over the average closing price of the Shares as quoted on the Stock Exchange for the last 360 consecutive trading days up to and including the Last Trading Day of approximately HK\$4.46 per Share;
- (ix) a discount of approximately 57.99% to the audited consolidated NAV of approximately HK\$12.14 per Share (based on a total of 307,758,522 Shares in issue as at the Latest Practicable Date and the audited consolidated NAV of HK\$3,735.9 million as at 31 March 2018, as disclosed in the 2018 Annual Report);
- (x) a discount of approximately 57.78% to the unaudited consolidated NAV of approximately HK\$12.08 per Share (based on a total of 307,758,522 Shares in issue as at the Latest Practicable Date and the unaudited consolidated NAV of HK\$3,718.2 million as at 30 September 2018, as disclosed in the 2018 Interim Report);
- (xi) a discount of approximately 58.02% to the audited consolidated NAV of approximately HK\$12.15 per Share (based on a total of 307,758,522 Shares in issue as at the Latest Practicable Date and the audited consolidated NAV of approximately HK\$3,739.92 million as at 31 March 2019, as disclosed in the 2019 Annual Results Announcement); and
- (xii) a discount of approximately 59.27% to the audited consolidated Adjusted NAV of the Group of approximately HK\$12.52 per Share (based on a total of 307,758,522 Shares in issue as at the Latest Practicable Date and the audited consolidated Adjusted NAV of the Group of approximately HK\$3,852.10 million as at 31 March 2019, as disclosed in the section headed “*Adjusted consolidated net asset value*” in the Letter from the Board.

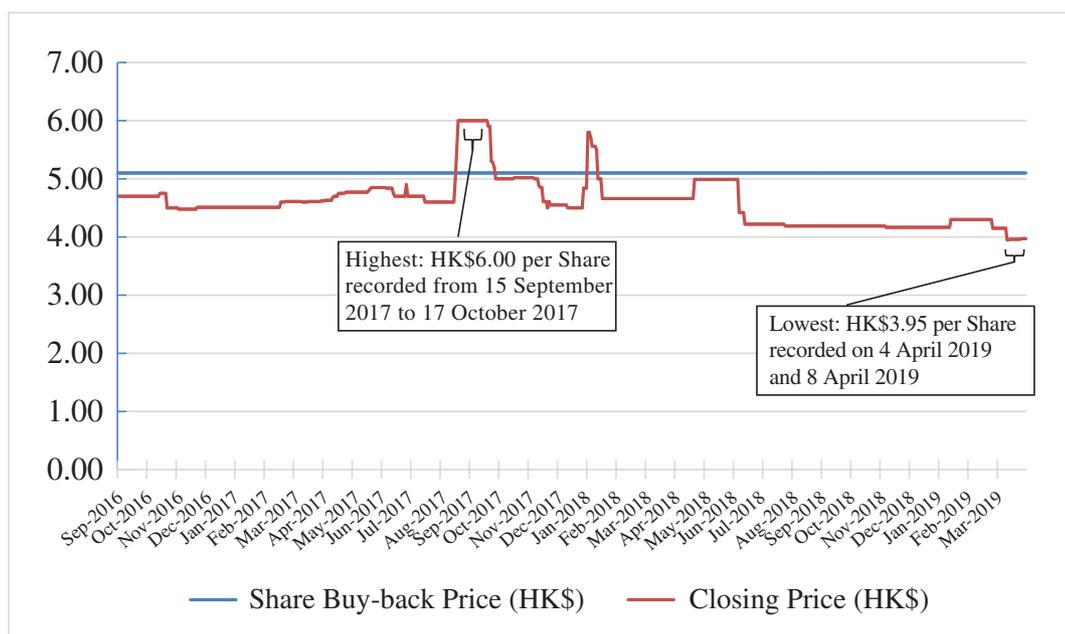
As stated in the Letter from the Board, although the Buy-back Price represents a premium of more than 20% over the current market price of the Shares, the Board considers that the market price level is relatively of less significance as it would not be possible for the Company to repurchase sufficient number of Shares in the open market at such price level and with any certainty. In view of the above, the Board considers that the Share Buy-back is a good opportunity for the Company to buy back its Shares at a reasonable price with a significant discount to the audited consolidated NAV per Share even though the Buy-back Price is higher than the market price.

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Taking into consideration that (i) the Group is principally engaged in an asset-intensive business, whereby a majority of its assets are investment properties, and it is the general market practice to evaluate an asset-intensive company by making reference to the audited consolidated NAV; and (ii) the extremely low liquidity of the Shares reflects a very limited supply of Shares available in the open market and therefore the market price level does not meaningfully reflect the true value of the Shares, we are of the view that the Group's audited consolidated NAV per Share as at 31 March 2019 (i.e. approximately HK\$12.15 per Share) is a more appropriate benchmark over the current market price and it is substantially higher than the Buy-back Price.

The chart below depicts the daily closing price level of the Shares as quoted on the Stock Exchange's website from 30 September 2016 (being the date of the initial Public Float Announcement published by the Company) to the Last Trading Day (both dates inclusive), being the approximately 31-month period immediately preceding the Last Trading Day (the "**Public Float Insufficiency Period**"). We consider that Public Float Insufficiency Period, during which the public float issue had been subsisting, is appropriate and adequate to illustrate the price movement of the Shares and make comparison between the historical closing prices of the Shares and the Buy-back Price.

Daily Closing Price of Shares during the Public Float Insufficiency Period



Source: website of the Stock Exchange (www.hkex.com.hk)

During the Public Float Insufficiency Period, we note that the closing prices of the Shares ranged from HK\$3.95 per Share to HK\$6.00 per Share, with an average of the closing prices of approximately HK\$4.60 per Share. The Buy-back Price of HK\$5.10 per Buy-back Share is within the range of the closing price of the Shares quoted on the Stock Exchange during the Public Float Insufficiency Period, and represents (i) a premium of approximately 11.1% over the average of the closing prices of HK\$4.59 per Shares during

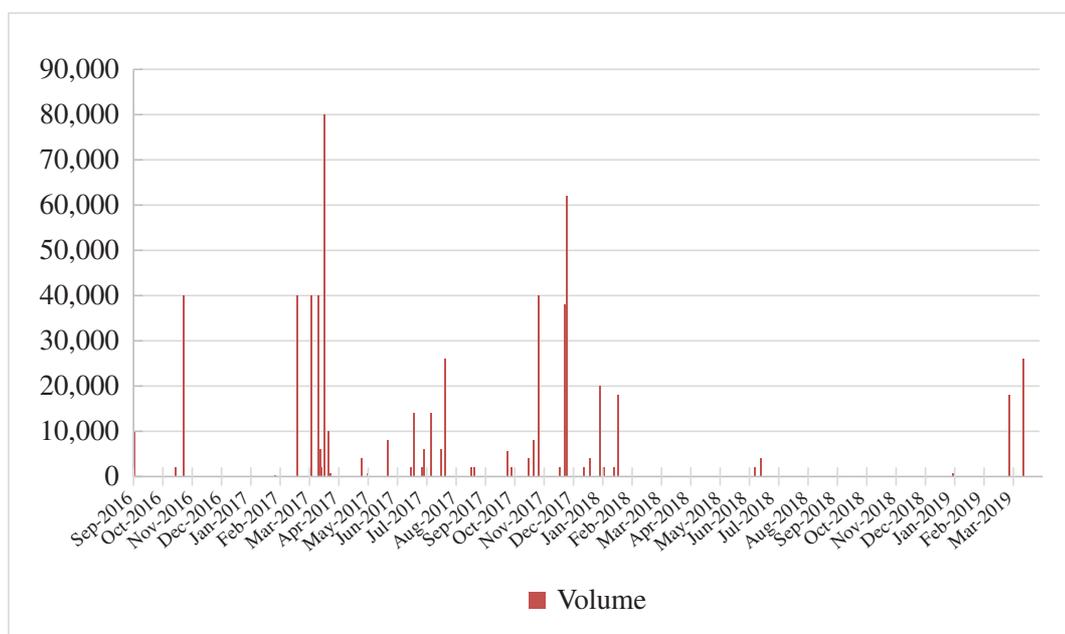
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the Public Float Insufficiency Period; (ii) a premium of approximately 29.1% over the lowest daily closing price of HK\$3.95 per Share during the Public Float Insufficiency Period recorded on 4 April 2019 and 8 April 2019; and (iii) a discount of approximately 15.0% over the highest daily closing price of HK\$6.00 per Share during the Public Float Insufficiency Period recorded over the 21 consecutive trading days from 15 September 2017 to 17 October 2017.

(b) Analysis of the historical liquidity of the Shares

The following table sets out the daily trading volume of the Shares over the Public Float Insufficiency Period:

Daily Trading Volume of Shares during the Public Float Insufficiency Period



Source: website of the Stock Exchange (www.hkex.com.hk)

We note from the above chart that the trading volume of the Shares was extremely thin during the Public Float Insufficiency Period (especially from 27 April 2018 to 26 April 2019, being the latest 12-month period immediately preceding the Last Trading Day (the “**12-month Review Period**”). The average daily trading volume of the Shares on the Stock Exchange during the Public Float Insufficiency Period was approximately 980 Shares, representing approximately 0.0003% and 0.001% of the Company’s total existing issued share capital and public float respectively. The highest daily trading volume during the Public Float Insufficiency Period was about 80,000 Shares on 18 April 2017, representing approximately 0.026% and 0.11% of the Company’s total existing issued share capital and public float. Besides, we further note that no trading activity was recorded in 240 days out of 245 days during the 12-month Review Period.

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Despite the fact that price of the Shares for the 12-month Review Period ranged from HK\$3.95 per Share to HK\$4.99 per Share and did not reach the level of the Buy-back Price, having taken into consideration the extreme thin trading volume of the Shares, the Share price may not be an appropriate benchmark to the Buy-back Price. Alternatively, we are of the view that the comparison of the Buy-back Price against the NAV per Share is more reasonable for conducting the analysis on the Buy-back Price and it is appropriate to place less reliance on the analysis relating to the closing price of the Share as quoted on the Stock Exchange due to its inactive trading activity.

(c) Analysis of the price-to-book ratio of the Company

Having considered that the Company is principally engaged in the property investment and the treasury investment that is asset-intensive in nature, it is more appropriate to use the price-to-book ratio analysis, being a commonly adopted valuation methodology for assessing an asset intensive company, to gauge the fairness and reasonableness of the Buy-back Price. We have made reference to the price-to-book ratios of other comparable companies which (i) are listed on the main board of the Stock Exchange; (ii) have a significant proportion of their total asset contributed by their investment properties; (iii) have majority of their investment properties principally located in Hong Kong; and (iv) have their shares traded on the Stock Exchange with a market capitalization below HK\$10.0 billion as at the Last Trading Day. We have identified and generated a list of ten companies (the“**Comparable Companies**”) that fall into the abovementioned selection criteria, which are tabulated for illustration below. We consider that the list of the Comparable Companies is an exhaustive list which comprises fair, sufficient and representative samples with features similar to the Company for the purpose of analysis under the prevailing market practice.

Stock Code	Stock name	Market Capitalization as at the Last Trading Day (A) <i>(in HK\$ million)</i>	Latest Published Net Asset Value (B) <i>(in HK\$ million)</i>	Price-to-book ratio (“P/B Ratio”) (A) / (B)
00063	China Graphene Group Limited	420.0	196.9	2.13
00105	Associated International Hotels Limited	8,244.0	13,855.5	0.59
00158	Melbourne Enterprises Limited	6,145.0	9,806.4	0.63
00224	Pioneer Global Group Limited	2,019.6	7,877.2	0.26
00225	Pokfulam Development Company Limited	1,963.4	5,447.3	0.36
00237	Safety Godown Company Limited	2,133.0	4,801.6	0.44

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Stock Code	Stock name	Market Capitalization as at the Last Trading Day (A) <i>(in HK\$ million)</i>	Latest Published Net Asset Value (B) <i>(in HK\$ million)</i>	Price-to-book ratio (“P/B Ratio”) (A) / (B)
00266	Tian Teck Land Limited	4,177.6	14,260.9	0.29
00271	Asiasec Properties Limited	3,375.7	4,509.2	0.75
00864	Wing Lee Property Investments Limited	262.6	1,086.9	0.24
02292	Thing On Enterprises Limited	878.4	1,604.1	0.55
	Highest			2.13
	Lowest			0.24
	Average			0.62
00277	The Company <i>(Note 1)</i>	1,569.6		0.42

Source: website of the Stock Exchange (www.hkex.com.hk) and latest published financial statement of the Comparable Companies

Note

- For comparison purpose, the P/B Ratio of the Company was calculated as dividing its adjusted market capitalisation (as calculated by multiplying the Buy-back Price and the number of issued Shares as at the Last Trading Day) by the audited consolidated NAV as at 31 March 2019.

Given the Group is involved in an asset-intensive business, whereby a majority of its assets are investment properties, the Comparable Companies with the above-mentioned features would serve as a fair and representative sample for the purpose of drawing a meaningful analysis to the Buy-back price. However, the Independent Shareholders should note that the Comparable Companies are not identical to the Company in terms of operations and financial position.

As shown above, the P/B Ratio (based on the share price on the Last Trading Day) of the Comparable Companies ranges from approximately 0.24 times to approximately 2.13 times with an average of approximately 0.62 times. The P/B Ratio of the Company based on the Buy-back Price is 0.42 times which is close to the low end of range of the P/B Ratio and represents a discount of approximately 32.83% to the average P/B Ratio of the Comparable Companies.

As such, we are of the view that the Buy-back Price was determined at a favorable level and therefore is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

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(d) Analysis of the Valuation Reports

Net asset value is one of the major components in calculation of the P/B Ratio. The audited consolidated NAV in the amount of approximately HK\$3,739.92 million and the audited consolidated Adjusted NAV in the amount of approximately HK\$3,852.10 million as at 31 March 2019 was largely accounted for by the value of the Group's properties situated in Hong Kong and Canada which has been arrived at based on the valuation of such properties carried out by Jones Lang LaSalle Limited (the "**Hong Kong Valuer**") and Jones Lang LaSalle Real Estate Services Inc. (the "**Canadian Valuer**", collectively the "**Valuers**") respectively. Given that the properties accounted for a majority of the Group's assets as at 31 March 2019, we consider that it is appropriate to take into account the Valuation Reports in assessing the fairness and reasonableness of the Buy-back Price.

We have reviewed the Hong Kong Valuation Report and the Canadian Valuation Report and interviewed the Hong Kong Valuer and the Canadian Valuer as to the details in relation to the Hong Kong Valuation Report and the Canadian Valuation Report respectively, as well as to the Valuers' expertise and independence. We also enquired with the Hong Kong Valuer and the Canadian Valuer on the methodology adopted, basis and assumptions used in arriving the valuation of the Group's investment properties situated in Hong Kong and Canada as at 31 March 2019 respectively. The income capitalisation method is based on the capitalisation of the current passing rental income and potential reversionary income over the remaining tenure of the property from the date of valuation at appropriate investment yields to arrive at the capital value; while the direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted.

Hong Kong Valuation Report

The Hong Kong Valuer has explained to us that given the investment properties of the Group situated in Hong Kong were held by the Group for a stable income stream over the past years, it is appropriate to adopt the income capitalisation method to carry out the valuation on these properties. The Hong Kong Valuer has further explained to us that they had adopted the direct comparison method for the valuation of the Group's Self-occupied Properties, as having considered that these properties were either owner-occupied or vacant with no rental income. As such, we are of the view that the results driven from the income capitalisation method and the direct comparison method adopted by the Hong Kong Valuer are reliable.

We have discussed with the Hong Kong Valuer regarding the basis and assumptions adopted for the valuation methodologies and have been advised that the income capitalisation method and the direct comparison method conducted by the Hong Kong Valuer are in accordance with the common market practice and standards of Hong Kong, hence we are of the view that each of the income capitalisation method and the direct comparison method adopted by the Hong Kong Valuer for preparing the Hong Kong Valuation Report is the most preferred and

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appropriate method for conducting the valuation of the Group's investment properties and Self-occupied Properties situated in Hong Kong respectively. The Hong Kong Valuer confirmed that the adopted valuation methods remained unchanged over the past years.

Canadian Valuation Report

The Canadian Valuer has explained to us the fact that the market value of the properties in Canada are related to the selling price of their comparables, competitive properties and there is sufficient market data available in public for conducting the direct comparison method for the investment property of the Group situated in Canada, it is appropriate to adopt the direct comparison method to carry out the valuation on this property. As such, we are of the view that the result driven from the direct comparison method adopted by the Canadian Valuer is reliable.

We have discussed with the Canadian Valuer regarding the basis and assumptions adopted for the valuation methodology and have been advised that the direct comparison method conducted by the Canadian Valuer is in accordance with the common market practice and standards of Canada, hence we are of the view that the direct comparison method adopted by the Canadian Valuer for preparing the Canadian Valuation Report is the most preferred and appropriate method for conducting the valuation of the Group's investment property situated in Canada.

In compliance with the requirements of Rule 13.80 of the Listing Rules, we have reviewed and made due enquiry in respect of (i) the terms of engagement and scope of work of the Valuers; (ii) the Valuers' qualification and experience in relation to the preparation of the Valuation Reports; and (iii) the steps and due diligence measures taken by the Valuers for conducting the valuation of the Group's investment properties situated in Hong Kong and Canada. We are satisfied with scope of work of engagement and qualification of the Valuers. We note that the due diligence measures are appropriate to the opinion given. Also, as confirmed by each of the Valuers, they are both independent third parties of the Company, Grand Fort or their respective substantial Shareholders or close associates. Thus, we consider that the Valuers are qualified and sufficiently independent in performing the valuation of the Group's investment properties situated in Hong Kong and Canada respectively.

(e) Analysis of the comparable transactions

Based on the information available from the website of the Stock Exchange, on a best endeavour basis, identified an exhaustive list of four comparable transactions (the "**Comparable Transactions**") which involved off-market share buy-back from substantial shareholder under the Buy-back Code. The Comparable Transactions were the off-market share buy-back announced, in the 12-month Review Period, by the companies listed on the Stock Exchange.

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The table below sets out the relevant details of the buy-back price for each share buy-back transaction associated with the Comparable Transactions:

Stock code	Stock name	Date of the Initial Announcement (Note 1)/the Announcement	(Discount)/	(Discount)/	Discount of share buy-back price to the latest published net asset value/ the audited consolidated NAV	Average daily trading volume of the companies' total existing issued share capital (Note 2)	Approximate number of trading days required for purchase of the respective buy-back shares (Note 3)
			premium	premium			
			buy-back price to average closing price of shares as at last trading day prior to the date of Initial Announcement	buy-back price to price of shares of the five consecutive trading days prior to the date of Initial Announcement			
0440	Dah Sing Financial Holdings Limited	23 Jan 2019	(1.50%)	(1.50%)	(48.91%)	(0.081%)	57 days
0593	DreamEast Group Limited	13 Sep 2018	(19.70%)	(18.80%)	(32.60%)	(0.0059%)	11,063 days
1116	Mayer Holdings Limited (Note 4)	21 Jul 2018	N/A	N/A	N/A	N/A	N/A
0086	Sun Hung Kai & Co. Limited	4 May 2018	(1.70%)	(1.70%)	(47.00%)	(0.045%)	150 days
		Highest	(1.50%)	(1.50%)	(32.60%)	0.081%	11,063 days
		Lowest	(19.70%)	(18.80%)	(48.91%)	0.0059%	57 days
		Average	(7.63%)	(7.33%)	(42.83%)	0.044%	3,757 days
0277	The Company	16 May 2019	28.46%	28.46%	(58.02%)	0.000067%	148,498 days

Source: website of the Stock Exchange (www.hkex.com.hk)

Notes:

- Initial announcement refers to the respective announcement initially published in relation to the Comparable Transactions (the “**Initial Announcement**”).
- Calculated as dividing the average daily trading volume of the shares of the listed companies and the Company on the Stock Exchange during the review period of the Comparable Transactions (being 12-month period immediately preceding the last trading day prior to date of Initial Announcement of respective Comparable Transactions) and Share Buy-back (being the 12-month Review Period) by the total existing issued share capital of the respective listed companies of the Comparable Transactions as at their respective last trading day prior to date of Initial Announcement and the Company as at the Last Trading Day respectively.
- Calculated as dividing the total number of the buy-back shares of the respective Comparable Transactions and Share Buy-back by the average daily trading volume of the shares of the listed companies and the Company on the Stock Exchange during the review period of the Comparable Transactions (being 12-month period immediately preceding the last trading day prior to date of Initial Announcement of respective Comparable Transactions) and the Company (being the 12-month Review Period).

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4. The trading of the shares of Mayer Holdings Limited (1116.HK) had been suspended since 9 January 2012 up to 21 November 2018 which covered the 12-month period immediately preceding the last trading day prior to date of Initial Announcement of its share buy-back transaction. Thus, the share price and average daily trading volume of 12-month period prior to the last trading day prior to date of Initial Announcement of Mayer Holdings Limited (1116.HK) are not available for our analysis.

For illustration purpose, the above table shows that (i) the discount of share buy-back price to the closing price of share as at the last trading day prior to date of Initial Announcement of each of the Comparable Transactions ranges from 1.5% to 19.7% with an average of 7.6% whilst the premium of such of the Share Buy-back was 28.46%; (ii) the discount of share buy-back price to average closing price of the five consecutive trading days prior to the date of Initial Announcement of each of the Comparable Transactions ranges from 1.5% to 18.8% with an average of 7.3%; (iii) the discount of share buy-back price to the latest published net asset value of each of the listed companies of the Comparable Transactions ranges from 32.6% to 48.91% with an average of 42.86% whilst the discount of the Buy-back Price to the latest published audited consolidated NAV was 58.02%; (iv) average daily trading volume of the shares to the total issued Shares of the Company (i.e. 0.000067%) which is significantly below the average of the Comparable Transaction (i.e. 0.04%); and (v) the extremely low liquidity of the Shares makes the Company more difficult to execute the on-market purchase of the Buy-back Share with certainty compared to the Comparable Transactions.

However, we further look into the nature of the Comparable Transactions and note that the rationale for implementing the Share Buy-back is unique and merely for the purpose of complying with the regulatory requirement to restore public float. In contrast, the Comparable Transactions were driven by various commercial reasons rather than for the purpose of fulfilling regulatory requirements, which include: (i) to create a greater shareholders' value by enhancing the companies' earnings per share and rate of return on capital; (ii) to unwind a previously announced acquisition and cancel the consideration shares issued in relation thereto; and (iii) to cancel the shares of the subject listed company subsequent to a transaction with its substantial shareholder. Given that the rationale of the Share Buy-back is fundamentally different from that of the Comparable Transactions, it may not be meaningful to directly compare the Share Buy-back with other Comparable Transactions.

We understand from the management of the Company that it has been the practice of the Company to strive to maintain a high standard of corporate governance and the main objective of the Share Buy-back is to facilitate the Company to discharge its responsibility as a listed company to restore public float as required under the Listing Rules. As mentioned above in this letter, the Company has endeavored to consider and attempted various ways to restore public float but no feasible option is available other than repurchasing Shares from Grand Fort. However, Grand Fort has reiterated that it will only accept selling its Shares in a single disposal but not partial disposal. In this regard, the Company can only select to buy back the entire lot of Shares held by Grand Fort on an all-or-nothing basis. Furthermore, the extremely low liquidity of the Shares as analyzed in the paragraph headed "*Analysis of the historical liquidity of the Shares*"

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reflects the fact that there is terribly limited supply of Shares available in the market. The Buy-back Price was concluded as an outcome of negotiation between the Company and Grand Fort, which represents the minimum selling price per Share acceptable to Grand Fort whilst the minimum cost for putting forward the Share Buy-back. Having considered that (i) there is necessity for the Company to honor its legal obligation to restore public float; (ii) the Company endeavored to negotiate for an affordable price for restoring public float; and (iii) the Buy-back Price was arrived at after arm's length negotiation between the Company and Grand Fort, we consider that the pricing of the Share Buy-back is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole.

5. Effects on the shareholding structure of the Group

The following table illustrates the Company's shareholding structure (i) as at the Latest Practicable Date; (ii) immediately upon Share Buy-back Completion and cancellation of the Buy-back Shares; and (iii) immediately upon Share Buy-back Completion, S&P Completion and cancellation of the Buy-back Shares:

	As at the Latest Practicable Date		Immediately upon Share Buy-back Completion and cancellation of the Buy-back Shares		Immediately upon Share Buy-back Completion, S&P Completion and cancellation of the Buy-back Shares	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
Mr. Chan (<i>Notes 1, 2 & 3</i>)	2,036,000	0.66	2,036,000	0.73	2,036,000	0.73
Smartprint	–	0.00	–	0.00	30,525,638	11.01
Noranger (<i>Note 2</i>)	145,914,000	47.41	145,914,000	52.63	145,914,000	52.63
Evergrade (<i>Note 3</i>)	25,822,896	8.39	25,822,896	9.32	25,822,896	9.32
Mr. Andrew Chan (<i>Note 4</i>)	792,000	0.26	792,000	0.29	792,000	0.29
Sub-total of Chan Concert Group	174,564,896	56.72	174,564,896	62.97	205,090,534	73.98
Grand Fort	61,051,277	19.84	30,525,638	11.01	–	0.00
Non-public Shareholders	235,616,173	76.56	205,090,534	73.98	205,090,534	73.98
Public Shareholders	72,142,349	23.44	72,142,349	26.02	72,142,349	26.02
Total	307,758,522	100.00	277,232,883	100.00	277,232,883	100.00

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Notes:

1. Mr. Chan is beneficially interested in 2,036,000 Shares.
2. Noranger is wholly owned by Beyers which is indirectly owned by Sow Pin Trust, a discretionary trust, the beneficiaries of which are Mr. Chan and his family members. Mr. Chan is the founder of Sow Pin Trust. Credit Suisse Trust Limited, the trustee of Sow Pin Trust, is the holding company of Brock Nominees Limited which wholly owned Global Heritage Group Limited and in turn wholly owned Beyers.
3. Evergrade is beneficially owned as to 50% by Mr. Chan and as to 50% by Beyers.
4. Mr. Andrew Chan, an executive Director and a son of Mr. Chan, is beneficially interested in 792,000 Shares.

As illustrated above, the public float of the Company shall be restored and will be above the minimum prescribed percentage of 25% as required under Rule 8.08 of the Listing Rules after Share Buy-back Completion, S&P Completion and cancellation of the Buy-back Shares.

6. Financial effects of the proposed Share Buy-back

Basic earnings per Share

The Share Buy-back will result in an enhancement in the basic earnings per Share upon the completion of the Share Buy-back which is illustrated below:

	Before the Share Buy-back HK\$	Immediately upon Share Buy- back Completion and cancellation of the Buy-back Shares HK\$	Percentage increase %
For the year ended 31 March 2019			
Basic Earnings per Shares	<u>0.083</u>	<u>0.092</u>	<u>11.01</u>

As shown in the above table and for illustration purpose only, assuming Share Buy-back had taken place on 31 March 2019 and the Buy-back Shares had been bought back in full and cancelled, the Share Buy-back would not have caused any financial impact on the results of the Group and the net profit attributable to owners of the Company for the FY2019 would have remained unchanged at approximately HK\$25.53 million. As a result of the Share Buy-back, the number of issued Shares would have decreased from 307,758,522 Shares to 277,232,883 Shares. Accordingly, the basic earnings per Share for the year ended 31 March 2019 would have increased from HK\$0.083 to HK\$0.092, representing an increase of approximately 11.01%. From this perspective, we note that the Share Buy-back is the interests of the Company and the Shareholders as a whole.

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Audited consolidated NAV per Share and the audited consolidated Adjusted NAV per Share

The Share Buy-back will result in an enhancement in the audited consolidated NAV per Share attributable to Shareholders and the audited consolidated Adjusted NAV per Share attributable to Shareholders, which is illustrated below:

	Before the Share Buy-back HK\$	Immediately upon Share Buy- back Completion and cancellation of the Buy-back Shares HK\$	Percentage increase %
As at 31 March 2019			
Audited consolidated NAV per Share (<i>Note 1</i>)	12.15	12.92	6.34
Audited consolidated Adjusted NAV (<i>Note 2</i>)	<u>12.52</u>	<u>13.33</u>	<u>6.47</u>

Notes:

1. Based on the audited consolidated NAV of approximately HK\$3,739.92 million as at 31 March 2019 as disclosed in the 2019 Annual Results Announcement and assuming that the unaudited pro forma NAV would have been HK\$3,582.49 million after the Share Buy-back completion in accordance with the “*Unaudited Pro Forma Financial Information of the Group*” as set out in the Appendix II of the Circular.
2. Based on the audited consolidated Adjusted NAV of approximately HK\$3,852.10 million as at 31 March 2019 as disclosed in the section headed “*Adjusted consolidated net asset value*” in the Letter from the Board and assuming that the unaudited pro forma Adjusted NAV would have been approximately HK\$3,694.66 million after making the same pro forma adjustments as to the “*Unaudited Pro Forma Financial Information of the Group*” as set out in the Appendix II of the Circular.

As shown in the above table and for illustration purpose only, based on the audited consolidated NAV of approximately HK\$3,739.92 million as at 31 March 2019 as disclosed in the 2019 Annual Results Announcement and assuming that the Share Buy-back had taken place on 31 March 2019 and the Buy-back Shares had been bought back in full and cancelled, the unaudited pro forma NAV would have been HK\$3,582.49 million after the Share Buy-back completion in accordance with the “*Unaudited Pro Forma Financial Information of the Group*” as set out in Appendix II of the Circular, the consolidated NAV per Share of the Group would have increased from approximately HK\$12.15 to approximately HK\$12.92. Based on the audited consolidated Adjusted NAV of approximately HK\$3,852.10 million as at 31 March 2019 as disclosed in the section headed “*Adjusted consolidated net asset value*” in the Letter from the Board and assuming that the Share Buy-back had taken place on 31 March 2019 and the Buy-back Shares had been bought back in full and cancelled, the unaudited pro forma Adjusted NAV would have been approximately HK\$3,694.66 million after making the same pro forma

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adjustments as to the “*Unaudited Pro Forma Financial Information of the Group*” as set out in the Appendix II of the Circular, the audited consolidated Adjusted NAV per Share of the Group would have increased from approximately HK\$12.52 to approximately HK\$13.33.

Thus, the Share Buy-back would result in an approximately 6.34% and 6.47% enhancement to the audited consolidated NAV per Share and audited consolidated Adjusted NAV per Share respectively which are due to the fact that the Buy-back Price for each Share is below both of the Company’s audited consolidated NAV per Share and audited consolidated Adjusted NAV per Share. We note that the enhancement in audited consolidated NAV per Share and audited consolidated Adjusted NAV per Share would enable each Shareholder to entitle to a greater value per Share upon Share Buy-back Completion and therefore is in the interest of the Company and the Shareholders as a whole.

Dividend yield ratio

The Share Buy-back will result in an enhancement in the dividend yield ratio, as illustrated below:

	Before the Share Buy-back	Immediately upon Share Buy- back Completion and cancellation of Buy-back Shares	Increase
	%	%	%
Dividend yield ratio (<i>Note 1</i>)	<u>1.31</u>	<u>1.51</u>	<u>0.20</u>

Note:

1. Assuming that the Share Buy-back had taken place on 31 March 2019 and calculated by the closing price as at the Last Trading Day.

As shown in the above table and for illustration purpose only, assuming that the Share Buy-back had taken place on 31 March 2019, the Buy-back Shares have been bought back in full and cancelled, dividend yield ratio calculated by the closing price as at the Last Trading Day and the dividend payout remained unchanged, the dividend yield ratio of the Company would have increased from 1.31% to 1.51%. We note that the enhancement in dividend yield ratio would enable each Shareholder to enjoy a greater dividend yield upon the Share Buy-back Completion and therefore is in the interest of the Company and the Shareholders as a whole.

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Total liabilities

As stated in the Letter from the Board, the consideration of the Share Buy-back will be settled in cash and funded by the Company's available cash resources. Assuming that the Share Buy-back had taken place on 31 March 2019 and the Buy-Back Shares have been bought back in full and cancelled, the total liabilities would remain unchanged.

Working capital and gearing ratio

Based on the unaudited pro forma consolidated financial information of the Group as set out in Appendix II to the Circular and assuming that the Share Buy-back had taken place on 31 March 2019, the working capital (expressed as net current asset) would decrease by approximately 59.28% from approximately HK\$265.50 million to approximately HK\$108.08 million. The gearing ratio (calculated as total liabilities divided by total equity) would have increased by approximately 0.39% from approximately 8.89% to approximately 9.28%.

The Company are of the view that it continues to maintain sufficient and adequate working capital for its operations. Taking into account the amount of cash resources held by the Company as at the Latest Practicable Date, the Directors are of the view that the Company has adequate financial resources to finance the Share Buy-back which allowed the Company to take advantage of the opportunity to eliminate the public float insufficiency issue and enhance the Shareholders' value through the Share Buy-back, and we are of the view that the Share Buy-back will have no material adverse effect on the working capital and gearing position of the Company.

In light of the above, we are of the view that the terms of the Share Buy-back is in the interests of the Company and Shareholders as a whole.

RECOMMENDATION

Having considered the aforementioned principal factors and reasons, particularly with regard to:

- (i) the generally strong and stable financial position of the Group as well as the amount of cash resources held by the Company as at the Latest Practicable Date which are considered to be adequate to finance the consideration of Buy-back Shares;
- (ii) that the Share Buy-back could serve to restore the public float of the Company with a higher level of certainty;
- (iii) the intention of Grand Fort to dispose of all of its current investment in the Company for other investment opportunities in one single disposal but not partial disposal;

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- (iv) the enhancement on the audited consolidated NAV per Share and dividend yield ratio which shall create a greater Shareholders' value and that the slight increase in the gearing ratio shall not create material adverse impact on the financial position of the Company;
- (v) that the Buy-back Price represents a discount to the audited consolidated NAV per Share and the audited consolidated Adjusted NAV per Share as at 31 March 2019, despite that the Buy-back Price represents a premium over the current market price of the Shares;
- (vi) that the consideration of the Buy-back Shares under the Share Buy-back Agreement was determined after arm's length negotiation between the parties to the agreement after taking into account (i) the prevailing market conditions; (ii) the extremely low liquidity of the Shares; (iii) the current market prices of the Shares; (iv) the NAV per Share; and (v) the opportunity to restore the public float of the Company;
- (vii) that the Buy-back Price is within the range of the closing prices of the Shares quoted on the Stock Exchange during the Public Float Insufficiency Period;
- (viii) that the Buy-back Price, as determined by reference to, among other things, the NAV per Share, is fair and reasonable with reference to the P/B Ratio of the Comparable Companies;
- (ix) notwithstanding that all the Comparable Transactions were priced at discount to the then market price of the shares of the respective listed companies, the rationale for implementing the Share Buy-back is for complying with the regulatory requirement to restore public float which is different from the commercial rationales of the Comparable Transactions; and
- (x) the fact that Mr. Chan is willing to purchase a portion of the Shares held by Grand Fort at the price level equivalent to the Buy-back Price for the sake of reducing financial burden of the Company whilst demonstrating Mr. Chan's confidence in the future of the Group,

we are of the opinion that although the entering into of the Share Buy-back Agreement is not in the ordinary and usual course of business of the Group, the terms of the Share Buy-back Agreement (including the Buy-back Price) are on normal commercial terms and fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

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Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Share Buy-back Agreement and the Share Buy-back contemplated thereunder.

Yours faithfully,

For and on behalf of

Founder Securities (Hong Kong) Capital Company Limited

Michael Wong

Managing Director

Note: Mr. Michael Wong has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2011. Mr. Michael Wong has more than ten years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of the Takeovers Code.

1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the Group for each of the three years ended 31 March 2017, 2018 and 2019, as extracted from each of the Company's relevant annual reports and the 2019 Annual Results Announcement, respectively.

The financial information relating to the three years ended 31 March 2017, 2018 and 2019 that is disclosed in or incorporated by reference into this circular does not constitute the Company's statutory annual consolidated financial statements for those years but was derived from those statutory financial statements. The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance) disclosed in, or incorporated by reference in this circular are not specified financial statements (within such meaning). Further information relating to the Company's statutory annual consolidated financial statements for the three years ended 31 March 2017, 2018 and 2019 required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The statutory annual consolidated financial statements of the Company for the two years ended 31 March 2017 and 2018 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the annual consolidated financial statements for the year ended 31 March 2019 in due course.

An auditor's report has been prepared on each of those financial statements of the Group. None of the auditor's reports were qualified or otherwise modified, refer to any matter to which HLM CPA Limited, the auditor of the Company, drew attention by way of emphasis without qualifying its reports and did not contain a statement under sections 406(2) or 407(2) or (3) of the Companies Ordinance.

(i) Consolidated audited results

	Year ended 31 March		
	2019 <i>HK'000</i>	2018 <i>HK'000</i>	2017 <i>HK'000</i>
Turnover	<u>80,270</u>	<u>81,260</u>	<u>97,273</u>
Profit/(loss) before taxation	34,650	119,811	(17,348)
Income tax expense	<u>(9,116)</u>	<u>(9,556)</u>	<u>(11,964)</u>
Profit/(loss) for the year attributable to owners of the Company	<u>25,534</u>	<u>110,255</u>	<u>(29,312)</u>
Total comprehensive income (expense) for the year attributable to owners of the Company	<u>20,407</u>	<u>107,817</u>	<u>(19,041)</u>
Earnings/(loss) per share Basic and diluted	<u>HK8.30 cents</u>	<u>HK35.83 cents</u>	<u>HK(9.52) cents</u>
Interim dividend per share	HK2.2 cents	HK2.2 cents	HK2.2 cents
Final dividend per share	HK3.2 cents	HK3.2 cents	HK3.2 cents

(ii) Consolidated audited assets and liabilities

	As at 31 March		
	2019 <i>HK'000</i>	2018 <i>HK'000</i>	2017 <i>HK'000</i>
Total assets	4,072,309	4,146,932	3,923,625
Total liabilities	<u>332,392</u>	<u>411,077</u>	<u>278,968</u>
Net assets	<u>3,739,917</u>	<u>3,735,855</u>	<u>3,644,657</u>

There were no exceptional items because of size, nature or incidence was recorded in the consolidated financial statements of the Group for the years ended 31 March 2017, 2018 and 2019.

2. FURTHER FINANCIAL INFORMATION OF THE GROUP

Set out below is the financial information of the Group (being the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows and consolidated statement of changes in equity) for each of the years ended 31 March 2017, 2018, and 2019, together with the relevant notes thereto are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.tern.hk>):

- (i) pages 40 to 97 in the annual report of the Company for the year ended 31 March 2017 published on 10 July 2017 which can be accessed via the link at <http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0710/LTN20170710253.pdf>;
- (ii) pages 48 to 109 in the 2018 Annual Report published on 17 July 2018 which can be accessed via the link at <http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0717/LTN20180717237.pdf>; and
- (iii) pages 1 to 19 in the 2019 Annual Results Announcement published on 26 June 2019 which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0626/ltn20190626353.pdf>.

3. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 31 May 2019, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding secured interest-bearing bank loans of approximately HK\$281,361,000. Among such loans, loans in amount of approximately HK\$15,000,000 will mature in June 2019 and the remaining outstanding of approximately HK\$266,361,000 will mature in 2037. The Group's interest-bearing bank loans were secured by Group's investment properties.

Commitments

As at the close of business on 31 May 2019, the Group had total future minimum lease payments under non-cancellable operating leases for its staff quarters premises and falling due as follows:

	<i>HK\$'000</i>
Within one year	1,140
In the second to fifth years	95
	<hr/>
	1,235
	<hr/> <hr/>

Contingent liabilities

As at the close of business on 31 May 2019, the Group did not have any contingent liabilities.

Save as disclosed in this section and apart from intra-group liabilities and normal trade payables, the Group did not have at the close of business on 31 May 2019 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, debentures, mortgages, charges, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

The Directors confirm that, there is no material change in the financial or trading position or outlook of the Group subsequent to 31 March 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECT

The core business of the Group consists of property investment and treasury investment.

The Group's investment properties continue to generate stable recurring rental income for the Group. The Group will continue to closely monitor the changes in local consumption pattern and improve its tenant mix for maximizing both the rental income and occupancy rate of its investment properties.

Treasury investment comprises investment in listed equities and bonds. The Group will continue to identify potential treasury investments with a cautious view on the market performance so as to enhance the Group's returns on treasury investments.

As before, the Group will adhere to prudent financial policies and maintain a low gearing ratio and ample liquidity in order to respond to the rapidly changing and challenging business environment.

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

The following is an illustrative unaudited pro forma consolidated statement of the financial position of the Group (the “**Unaudited Pro Forma Financial Information**”) which has been prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2019 as set out in the 2019 Annual Results Announcement, after making pro forma adjustments as set out in the notes below.

The Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Share Buy-back as if it had taken place on 31 March 2019. It has been prepared on the basis of the notes set out below and is consistent with the accounting policies adopted by the Group.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Share Buy-back been completed as at 31 March 2019 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical information of the Group as set out in the 2019 Annual Results Announcement and other financial information included elsewhere in this circular.

The financial information relating to FY2019 included in the unaudited pro forma financial information of the Group for FY2019 does not constitute the Company’s statutory annual consolidated financial statements but was derived from those financial statements. For further information relating to the statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance, please refer to the section headed “1. Financial Summary” in Appendix I to this circular.

Unaudited Pro Forma Financial Information of the Group

	Audited consolidated statement of financial position of the Group as at 31 March 2019 <i>HK\$'000</i>	Pro forma adjustment (i) <i>HK\$'000</i>	Pro forma adjustment (ii) <i>HK\$'000</i>	Unaudited pro forma consolidated statement of financial position of the Group as at 31 March 2019 <i>HK\$'000</i>
Non-current assets				
Investment properties	2,952,288			2,952,288
Property, plant and equipment	4,425			4,425
Leasehold land	14,830			14,830
Interests in associates	355,458			355,458
Debt instruments at fair value through other comprehensive income	443,419			443,419
Financial assets at fair value through profit or loss	430			430
Deferred rental income	307			307
Deferred tax assets	36			36
	3,771,193			3,771,193
Current assets				
Trade and other receivables	13,535			13,535
Financial assets at fair value through profit or loss	7,254			7,254
Leasehold land – current portion	92			92
Deferred rental income – current portion	463			463
Tax recoverable	1,964			1,964
Pledged bank deposits	149,600	(104,625)		44,975
Bank balances and cash	128,208	(52,806)		75,402
	301,116			143,685
Current liabilities				
Other payables and receipts in advance	9,958			9,958
Deposits received from tenants	12,408			12,408
Tax liabilities	1,434			1,434
Secured bank borrowings – due within one year	11,808			11,808
	35,608			35,608
Net current assets	265,508			108,077
Total assets less current liabilities	4,036,701			3,879,270

	Audited consolidated statement of financial position of the Group as at 31 March 2019 <i>HK\$'000</i>	Pro forma adjustment (i) <i>HK\$'000</i>	Pro forma adjustment (ii) <i>HK\$'000</i>	Unaudited pro forma consolidated statement of financial position of the Group as at 31 March 2019 <i>HK\$'000</i>
Non-current liabilities				
Deposits received from tenants	12,335			12,335
Deferred tax liabilities	27,949			27,949
Secured bank borrowings – due after one year	256,500			256,500
	<u>296,784</u>			<u>296,784</u>
Net assets	<u><u>3,739,917</u></u>			<u><u>3,582,486</u></u>
Capital and reserves				
Share capital	229,386			229,386
Reserves	3,510,531	(1,750)	(155,681)	3,353,100
Total equity	<u><u>3,739,917</u></u>			<u><u>3,582,486</u></u>

Pro forma adjustment:

- (i) to reflect the consideration payable for the buy-back of 30,525,639 Shares at the price of HK\$5.10 per Share payable in cash of approximately HK\$155,681,000 and the estimated expenses of HK\$1,750,000 directly attributable to the Share Buy-back. The expenses include, stamp duties, legal fee, financial advisory fee and other professional fees, which are incurred for an equity transaction and are accounted for as a reduction from equity; and
- (ii) to reflect the cancellation of the Buy-back Shares by reducing retained profits by the consideration paid for the Buy-back Shares, being the total consideration of approximately HK\$155,681,000 in accordance with the Companies Ordinance.

B. REPORT FROM HLM CPA LIMITED

The following is the text of a report from the reporting accountants, HLM CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group as set out in this appendix and prepared for the sole purpose of incorporation in this circular.

恒健會計師行有限公司**HLM CPA LIMITED****Certified Public Accountants**

Rooms 1501-8, 15th Floor, Tai Yau Building,
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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Tern Properties Company Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Tern Properties Company Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 31 March 2019 and related notes as set out on pages II-1 to II-3 of the circular issued by the Company dated 28 June 2019 (the “**Circular**”) in connection with the proposed off-market share buy-back of 30,525,639 shares of the Company at the price of HK\$5.10 per share and cancellation of the buy-back shares (the “**Share Buy-back**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages II-1 to II-3 of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Share Buy-back on the Group's financial position as at 31 March 2019 as if the Share Buy-back had taken place as at 31 March 2019. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's Annual Results Announcement for the year ended 31 March 2019.

**DIRECTORS' RESPONSIBILITIES FOR THE UNAUDITED PRO FORMA
FINANCIAL INFORMATION**

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

OUR INDEPENDENCE AND QUALITY CONTROL

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

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

REPORTING ACCOUNTANTS' RESPONSIBILITIES

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

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

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Share Buy-back at 31 March 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

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

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

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

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

OPINION

In our opinion:

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

HLM CPA Limited

Certified Public Accountants

Hong Kong

28 June 2019

A. LETTER FROM JONES LANG LASALLE LIMITED

The following is the text of a letter, summary of valuations and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Limited, an independent valuer, in connection with its valuation as at 31 March 2019 of the property interests of the Group in Hong Kong.



仲量聯行

Jones Lang LaSalle Limited
Valuation Advisory Services
7th Floor, One Taikoo Place, 979 King's Road,
Quarry Bay, Hong Kong
tel +852 2846 5000 fax +852 2968 0078
Company Licence No.: C-003464

仲量聯行有限公司

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牌照號碼 C-003464



28 June 2019

The Directors
Tern Properties Company Limited
26th Floor
Tern Centre, Tower 1
237 Queen's Road Central
Hong Kong

Dear Sirs,

Re: Portfolio Valuation for Tern Properties Company Limited as at 31 March 2019

1.0 INTRODUCTION**1.1 Instructions**

We refer to the instruction received from Tern Properties Company Limited (“the Company”) for us to carry out market valuation in respect of the various properties held by the Company and its associated companies and/or subsidiaries (hereinafter referred to as “the Group”) in Hong Kong for public disclosure purpose in relation to a possible off-market share buy-back. The property interests are identified in Section 2.0 Summary of Valuations.

We confirm that we had carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Company with our opinion of market values of the individual unencumbered leasehold property interests as at 31 March 2019 (“the date of valuation”).

We would like to point out that the valuations presented in this report represent 100% interest of the various properties and not the share holdings within each by the Group.

1.2 Basis of Valuation

Unless otherwise stated, our valuation has been prepared in accordance with the “HKIS Valuation Standards 2017 Edition” published by The Hong Kong Institute of Surveyors (“HKIS”), the “International Valuation Standards 2017” published by the International Valuation Standards Council (“IVSC”) and the “RICS Valuation – Global Standards 2017” published by the Royal Institution of Chartered Surveyors (“RICS”) subject to variation to meet local established law. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the relevant Valuation Standards. We have also complied with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Rule 11 of the Codes on Takeovers and Mergers.

Our valuation of the property interests is made on the basis of Market Value as defined by IVSC and adopted by HKIS and RICS, set out as:

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

We have applied the definition of market value to each property interest independently. We have ignored the potential effect of selling the entire portfolio at any one time. Likewise for property interest that is comprised of multiple floors or units, we have valued the property as a single property interest and have ignored the potential effect of selling the property on a strata title basis.

Our valuation services have been executed in accordance with our Quality Assurance System, accredited by HKQAA via ISO 9001:2015 and our report prepared with reference to the assumptions, definitions and limiting conditions as set out in our General Principles of Valuation.

1.3 Valuation Assumptions

Our valuations have been made on the assumption that the owner sells the individual property interests on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the values of the property interests.

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

1.4 Valuation Methodologies

We have adopted both the direct comparison method and income capitalization method in the course of our valuation.

The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently been subject to transfer of legal ownership. However, given the differences between individual real estate properties, appropriate adjustments are usually required to allow for any qualitative and quantitative differences that may affect the price likely to be achieved by the properties under consideration.

The income capitalization method is based on the capitalization of the current passing rental income and potential reversionary income over the remaining tenure of the property from the date of valuation at appropriate investment yields to arrive at the capital value. The rental value and capitalization rate to be adopted for the valuation are derived from an analysis of market transactions and our interpretation of prevailing investor requirements or expectations.

1.5 Source of Information

We have relied to a considerable extent on the information provided by the Company including tenancy schedules of the subject properties and floor plans of various properties. We have accepted advice in relation to planning approvals, statutory notices, easements, tenure, particulars of occupancy, building plans, floor plans, floor areas and all other relevant matters. We have also conducted current searches at the Land Registry. We have assumed that all information provided to us is correct. However, should it be established subsequently that the details relating to the property interests are incorrect, we reserve the right to adjust the values reported herein.

The dimensions, measurements and areas included in the report are based on information contained in copies of documents obtained from the Company and the Land Registry and are therefore approximations. We have not carried out on site measurements to verify the correctness of the site area of the properties.

1.6 Title Investigation

We have not been provided with copies of the title documents relating to the property interests but we have caused searches to be made at relevant Land Registries. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may or may not appear on the land search records. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate. We have not seen original planning and development consents and have assumed that the properties have been erected, being occupied and used in accordance with such consents and that there are no outstanding statutory notices.

1.7 Property Inspections

We have inspected the exteriors, and where possible the interiors of the properties on 7 March 2019 and 8 March 2019. The inspections were conducted by Ms. Evelyn Ng, MRICS, Manager and Ms. Selina Wu, MCIREA, Manager of Valuation Advisory Services of Jones Lang LaSalle Limited. We have not conducted formal site and structural surveys and, as such we cannot report that the properties are free from rot, infestation or any other structural defects. We have not carried out building surveys, nor have we inspected those parts of the properties which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We do not express an opinion about or advise upon the condition of the parts we had not inspected and this report should not be taken as making any implied representation or statement about such parts. No tests have been carried out to any of the services within the properties.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the properties, or has since been incorporated, and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

1.8 Site Investigation

We have not been instructed to carry out any investigations on site in order to determine the suitability of ground conditions and services, etc. for future development or renovation, nor did we undertake archaeological, ecological or environmental surveys. Our valuations are on the basis that these aspects are satisfactory and that where developments are contemplated, no extraordinary expenses or delays will be incurred during the construction or renovation period.

In the course of our valuation, we have assumed that no contamination affecting the properties or neighboring lands. However, should it be established subsequently that contamination exists at the properties or on any neighboring lands, or that the premises have been or are being put to any contaminative use, we reserve the right to adjust the values reported herein.

1.9 Plant and Machinery

Our valuations normally include all plant and machinery that form part of the building services installations. However, plant, machinery and equipment, which may have been installed wholly in connection with the occupier's industrial and commercial uses, together with furniture and furnishings, tenant's fixtures and fittings, are excluded in our valuations.

1.10 Potential Tax Liabilities

According to the information provided by the Company, the potential tax liabilities which would arise if the properties were to be sold at the amount of the valuation in this report is immaterial. It is unlikely that such liability would crystalize.

1.11 Report

This valuation report was prepared by Ms. Evelyn Ng, MRICS, Manager and Ms. Selina Wu, MCIREA, Manager of Valuation Advisory Services of Jones Lang LaSalle Limited under the supervision of Ms. Dorothy Y. Y. Chow MHKIS, MRICS & RPS(GP), Senior Director of the department.

We confirm that Ms. Dorothy Y. Y. Chow, Ms. Evelyn Ng and Ms. Selina Wu are in the position to provide an objective and unbiased valuation and are competent to undertake the valuation assignment.

Our summary of valuations and the valuation certificates are attached hereto.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Limited

Dorothy Chow *B.Sc. (Hons), MSc, MRICS, MHKIS, RPS(GP)*

Senior Director

Licence No.: E-182969

Note: Ms. Dorothy Y.Y. Chow, MHKIS MRICS RPS(GP), is a qualified general practice surveyor and has over 20 years of experience in the valuation of properties in Hong Kong.

2.0 SUMMARY OF VALUATIONS

Portfolio Valuation for Tern Properties Company Limited as at 31 March 2019

Summary of Valuations	Aggregate Market Value As at 31 March 2019 (HK\$)
Group I – Property interests occupied by the Group in Hong Kong	\$127,100,000
Group II – Property interests held by the Group for investment in Hong Kong	<u>\$3,684,500,000</u>
Group Total	<u><u>\$3,811,600,000</u></u>
Group I Property Interests Occupied by the Group in Hong Kong	Market Value as at 31 March 2019 (HK\$)
1. The Whole of 26th, 27th and 28th Floors, Tower 1, Tern Centre, 237 Queen’s Road Central, Hong Kong	\$71,100,000
2. Flat No. 59 on 15th Floor, Tower 9 and Car Parking Space Nos. 66 & 67 on Car Park Entrance 4 (Level 3), Hong Kong Parkview, 88 Tai Tam Reservoir Road, Hong Kong	<u>\$56,000,000</u>
Group I Sub-total :	<u><u>\$127,100,000</u></u>
Group II Property Interests Held by the Group for Investment in Hong Kong	Market Value as at 31 March 2019 (HK\$)
3. Shops No. G15 and G16 on Ground Floor and Shop No. 8 on 1st Floor, Site D of Park Lane Shopper’s Boulevard, Nathan Road, Tsimshatsui, Kowloon	\$345,600,000
4. Shop No. G17 on Ground floor and Shop No. 9A on 1st Floor, Site D of Park Lane Shopper’s Boulevard, Nathan Road, Tsimshatsui, Kowloon	\$176,600,000
5. Shop No. G21 on Ground floor and Shop No. 11A on 1st Floor, Site D of Park Lane Shopper’s Boulevard, Nathan Road, Tsimshatsui, Kowloon	\$173,200,000
6. Duplex Shop F on Ground Floor and 1st Floor, Burlington House, Nos. 90-94C Nathan Road, Tsimshatsui, Kowloon	\$164,000,000
7. Shops No. B & C on Ground Floor, the Whole of Upper Ground Floor and 1st Floor, Ka Wing Building, 27 Granville Road, Tsimshatsui, Kowloon	\$223,400,000

Group II Property Interests Held by the Group for Investment in Hong Kong	Market Value as at 31 March 2019 (HK\$)
8. The Whole of Lower Ground Floor, Ground Floor and 1st Floor, Tower I, Tern Centre, 237 Queen's Road Central, Hong Kong	\$79,900,000
9. The Whole of Tower II, Tern Centre, 251 Queen's Road Central, Hong Kong	\$360,300,000
10. The Whole of Ground Floor, 1st, 2nd, 3rd and 5th Floors, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	\$255,400,000
11. The Whole of 9th Floor, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	\$11,400,000
12. The Whole of 20th Floor, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	\$11,600,000
13. The Whole of the 6th Floor, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	\$11,500,000
14. The Whole of the 12th Floor, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	\$11,600,000
15. The Whole of Southgate Commercial Centre, 29 Granville Road, Tsimshatsui, Kowloon	\$538,100,000
16. Shops No. 1, 2 and 6 on Ground Floor and the whole of 1st, 2nd, 3rd, 4th, 5th, 6th Floors, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	\$661,000,000
17. The Whole of 8th & 9th Floors, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	\$65,100,000
18. Units 1302 & 1303, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	\$15,000,000
19. The Whole of 18th Floor, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	\$29,600,000
20. The Whole of 11th Floor, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	\$29,500,000
21. Carpark No. 31 on the Podium of Level 2, 37 Repulse Bay Road, Hong Kong	\$1,900,000
22. Shop No. 18A on Ground Floor, Star House, 3 Salisbury Road, Tsimshatsui, Kowloon	\$22,400,000
23. The Whole of The Wave, 184 Nathan Road, Jordan, Kowloon	\$437,000,000
24. Shop No. 5, Ground Floor, Lee Fat Building, Nos. 30-36 Jardine's Crescent, Causeway Bay, Hong Kong	\$30,700,000
25. The Whole of 16th Floor, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	\$29,700,000
Group II Sub-total :	\$3,684,500,000
PORTFOLIO GRAND TOTAL :	\$3,811,600,000

3.0 VALUATION CERTIFICATE

Group I – Property Interests Occupied by the Group in Hong Kong

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
1. The Whole of 26th, 27th and 28th Floors, Tower 1, Tern Centre, 237 Queen's Road Central, Hong Kong	The property comprises the top three floors of Tower I of Tern Centre, which is a twin-tower office development completed in 1990. Tower 1 comprises 30 storeys with ground floor and lower ground floor used as retail shops.	The property was occupied by the owner as offices as at the date of valuation.	HK\$71,100,000 (HONG KONG DOLLARS SEVENTY ONE MILLION AND ONE HUNDRED THOUSAND)
72/500 equal and undivided shares of The Remaining Portion of Section A of Inland Lot No. 202 (IL 202 s.A RP), the Remaining Portion of Inland Lot No. 1482 (IL 1482 RP), Section B of Inland Lot No. 1482 (IL 1482 s.B), the Remaining Portion of Section A of Inland Lot No. 1482 (IL 1482 s.A RP), The Remaining Portion of Inland Lot No. 117 (IL 117 RP) and The Remaining Portion of Section A of Inland Lot No. 117 (IL 117 s.A RP)	The total gross floor area and saleable area of the property is approximately 6,540 sq.ft. (607.58 sq.m.) and 4,290 sq.ft. (398.55 sq.m.) respectively. The floor has typical plate of approximately 2,180 sq.ft. in gross floor area. The property is held under three government leases. The lease term of IL 202 and IL 1842 commences on 2 December 1844 for a term of 999 years, whilst the term of IL 117 commences on 26 June 1843 for a term of 999 years. The current government rent payable for IL 202 s.A RP, IL 1482 and IL 117 are HK\$26.0, HK\$48.0 & 2 pounds 16 shillings and 2 ½ pences respectively.		

Notes:

- (1) The registered owner of the property is Zepersing Limited, a wholly owned subsidiary of the Company.
- (2) The following encumbrances are registered against the property at the date of our Land Registry searches:
 - Deed of Mutual Covenant and Management Agreement in favour of Kamillex Property Management Limited "The Manager" vide Memorial No. UB4662958 registered on 4 January 1991.
 - Order No. DBR/RB02-03/0001/12 by the Building Authority under S.26 of the Buildings Ordinance vide Memorial No. 16081200970211 dated 31 March 2015. (re: for internal common areas and exterior of the building)

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
2. Flat No. 59 on 15th Floor, Tower 9 (of Parkview Crescent) and Car Parking Spaces Nos. 66 & 67 on Car Park Entrance 4 (Level 3), Hong Kong Parkview, 88 Tai Tam Reservoir Road, Hong Kong 224/190,149 equal and undivided shares of Rural Building Lot No. 1051 (RBL 1051) and the Extension Thereto	<p>The property comprises a flat on the 15th floor of Tower 9 and two adjoining car parking spaces in the car parking podium of Hong Kong Parkview, a luxury residential development completed in 1989 in Island South district.</p> <p>According to the building brochure, the gross floor area and the saleable area of the flat is approximately 2,490 sq.ft. (231.33 sq.m.) and 2,087 sq.ft. (193.89 sq.m.) respectively.</p> <p>RBL 1051 is held under Conditions of Sale No. 11574 and its extension is held under Conditions of Exchange No. 11953, both are for a term of 75 years commencing from 3 December 1981 renewable for 75 years. The current government rent payable for the RBL 1051 and its extension is HK\$2,000 per annum.</p>	The property was occupied by the Company as at the date of valuation.	HK\$56,000,000 (HONG KONG DOLLARS FIFTY SIX MILLION)

Notes:

- (1) The registered owner of the property is Zepersing Limited, a wholly owned subsidiary of the Company.
- (2) The following encumbrances are registered against the property at the date of our Land Registry searches:
 - Deed of Mutual Covenant with plan vide Memorial No. UB5108303 registered on 10 December 1991.
 - Occupation Permit No. H137/89 vide Memorial No. UB5078301 dated 13 November 1989.

3.0 VALUATION CERTIFICATE

Group II – Property Interests Held by the Group for Investment in Hong Kong

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
3. Shop Nos. G15 and G16 on Ground Floor and Shop No. 8 on 1st Floor, Site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon 40/2,308 equal and undivided shares of Kowloon Inland Lot No. 10710	<p>The property comprises two shop units on the ground floor and one shop unit on the first floor of Park Lane Shopper's Boulevard, a 2-storey retail development completed in 1986 in Tsimshatsui.</p> <p>The approximate gross floor area and the saleable area of the property is 2,644 sq.ft. (245.63 sq.m.) and 2,422 sq.ft. (225.01 sq.m.) respectively.</p> <p>Breakdown of the saleable area for the respective floors are as follows:</p> <p style="padding-left: 40px;">Shop No. 15 on G/F: 644 sq.ft. (59.83 sq.m.) Shop No. 16 on G/F: 644 sq.ft. (59.83 sq.m.) Shop No. 8 on 1/F: 1,134 sq.ft. (105.35 sq.m.)</p> <p>The lot is held under Conditions of Sale Nos. 11654 for a term of 75 years commencing from 23 February 1983 renewable for 75 years. The current government rent payable for the lot is HK\$1,000 per annum.</p>	As at the date of valuation, the property was leased for a term of 2 years expiring in November 2020. The monthly rental as at the date of valuation is HK\$570,000 (exclusive of management fee and rates).	HK\$345,600,000 (HONG KONG DOLLARS THREE HUNDRED FORTY FIVE MILLION AND SIX HUNDRED THOUSAND)

Notes:

- (1) The registered owner of the property is Strongfort Company Limited, a wholly owned subsidiary of the Company.
- (2) From our previous internal inspection of the property, we noted that the following addition and alteration works had been done within the property, which are not shown on the registered floor plan.
 - Shop Nos. G15 and G16 on ground floor were merged into a single unit.
 - An internal staircase was erected to link up the ground floor and the first floor.

For the purpose of the valuation, we have relied on the existing layout of the property and has not allowed for any costs which are necessary to reinstate the property to its original design and layout. It is estimated that the reinstatement costs would be less than HK\$500,000.

- (3) The following encumbrances are registered against the property at the date of our Land Registry searches:
- Deed of Grant of Easement with Plan vide Memorial No. UB2767732 dated 30 April 1985.
 - Deed of Mutual Covenant and Management Agreement in favour of Espora Company Limited “The Manager” vide Memorial No. UB3009761 registered on 24 March 1986.
 - Mortgage in favour of the Hang Seng Bank Limited to secure all moneys in respect of general banking facilities vide Memorial No. 16072800580035 dated 13 July 2016.
 - Rental Assignment in favour of Hang Seng Bank Limited vide Memorial No. 16072800580049 dated 13 July 2016.

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
4. Shop No. G17 on Ground Floor and Portion 9A of Shop No. 9 on 1st Floor, Site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	The property comprises a shop unit on the ground floor and portion of a shop unit on the first floor of Park Lane Shopper's Boulevard, a 2 storey retail development completed in 1986 in Tsimshatsui.	As at the date of valuation, the property was leased for a term of 2 years expiring in July 2020. The monthly rental as at the date of valuation is	HK\$176,600,000 (HONG KONG DOLLARS ONE HUNDRED SEVENTY SIX MILLION AND SIX HUNDRED THOUSAND)
16/2,308 equal and undivided shares (Shop No. G17 on Ground Floor) and 4/8 of 8/2,308 equal and undivided shares (Shop No. 9A on 1st Floor) of Kowloon Inland Lot No. 10710	The approximate gross floor area and saleable area of the property is 1,322 sq.ft. (122.82 sq.m.) and 1,210 sq.ft. (112.41 sq.m.) respectively. Breakdown of saleable area for the respective floors are as follows: G/F: 642 sq.ft. (59.64 sq.m.) 1/F: 568 sq.ft. (52.77 sq.m.)	HK\$178,000 (exclusive of management fee and rates).	
	The lot is held under Conditions of Sale Nos. 11654 for a term of 75 years commencing from 23 February 1983 renewable for 75 years. The current government rent payable for the lot is HK\$1,000 per annum.		

Notes:

- (1) The registered owner of the property is Spark View Limited, a wholly owned subsidiary of the Company.
- (2) From our previous internal inspection of the property, we noted that an internal staircase was erected to link up the ground floor and the first floor. Such a staircase is not shown on the registered floor plan. For the purpose of the valuation, we have relied on the existing layout of the property and has not allowed for any costs which are necessary to reinstate the property to its original design and layout. It is estimated that the reinstatement costs would be less than HK\$500,000.
- (3) The following encumbrances are registered against the property at the date of our Land Registry searches:
 - Deed of Grant of Easement with Plan vide Memorial No. UB2767732 dated 30 April 1985.
 - Deed of Mutual Covenant and Management Agreement in favour of Espora Company Limited "The Manager" vide Memorial No. UB3009761 registered on 24 March 1986.
 - Mortgage in favour of the Nanyang Commercial Bank Limited to secure all moneys in respect of general banking facilities vide Memorial No. 16102400570130 dated 30 September 2016.
 - Rental Assignment in favour of Nanyang Commercial Bank vide Memorial No. 16102400570142 dated 30 September 2016.

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
5. Shop No. G21 on Ground Floor and Portion 11A of Shop No. 11 on 1st Floor, Site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	The property comprises a shop unit on the ground floor and portion of a shop unit on first floor of Park Lane Shopper's Boulevard, a 2 storey retail development completed in 1986 in Tsimshatsui.	As at the date of valuation, the property was leased at a monthly rental of HK\$110,000 (exclusive of management fee and rates) for a term of 6 months expiring in August 2019.	HK\$173,200,000 (HONG KONG DOLLARS ONE HUNDRED SEVENTY THREE MILLION AND TWO HUNDRED THOUSAND)
16/2,308 equal and undivided shares (Shop No. G21 on Ground Floor) and 5/9 of 9/2,308 equal shares and undivided (Shop No. 11A on 1st Floor) of Kowloon Inland Lot No. 10710	The approximate gross floor area and saleable area of the property is 1,322 sq.ft. (122.82 sq.m.) and 1,281 sq.ft. (119.01 sq.m.) respectively. Breakdown of saleable area for the respective floors are as follows: G/F: 660 sq.ft. (61.32 sq.m.) 1/F: 621 sq.ft. (57.69 sq.m.) The lot is held under Conditions of Sale Nos. 11654 for a term of 75 years commencing from 23 February 1983 renewable for 75 years. The current government rent payable for the lot is HK\$1,000 per annum.		

Notes:

- (1) The registered owner of the property is Longo Investment Company Limited, a wholly owned subsidiary of the Company.
- (2) From our previous internal inspection of the property, we noted that an internal staircase was erected to link up the ground floor and the first floor. Such a staircase is not shown on the registered floor plan. For the purpose of the valuation, we have relied on the existing layout of the property and has not allowed for any costs which are necessary to reinstate the property to its original design and layout. It is estimated that the reinstatement costs would be less than HK\$500,000.
- (3) The following encumbrances are registered against the property at the date of our Land Registry searches:
 - Deed of Grant of Easement with Plan vide Memorial No. UB2767732 dated 30 April 1985.
 - Deed of Mutual Covenant and Management Agreement in favour of Espora Company Limited "The Manager" vide Memorial No. UB3009761 registered on 24 March 1986.

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
6. Duplex Shop F on Ground Floor and 1st Floor, Burlington House, Nos. 90-94C Nathan Road, Tsimshatsui, Kowloon 5/173 equal and undivided shares of Kowloon Inland Lot No. 6776	<p>The property comprises a shop unit on both the ground and first floors of Burlington House, which is an 18 storey (including 1 storey basement) composite building completed in 1964 in Tsimshatsui.</p> <p>The approximate gross floor area and saleable area of the property is 1,400 sq.ft. (130.06 sq.m.) and 1,036 sq.ft. (96.25 sq.m.) respectively.</p> <p>Breakdown of saleable area for the respective floor are as follows:</p> <p>G/F: 635 sq.ft. (58.99 sq.m.) 1/F: 401 sq.ft. (37.25 sq.m.)</p> <p>The lot is held under Conditions of Renewal No. 5547 for a term of 150 years commencing from 24 June 1889. The current government rent payable for the property is HK\$38 per annum.</p>	<p>As at the date of valuation, the property was leased for a term of 2 year expiring in May 2019. The monthly rental as at the date of valuation is HK\$310,000 (exclusive of management fee and rates).</p>	<p>HK\$164,000,000 (HONG KONG DOLLARS ONE HUNDRED AND SIXTY FOUR MILLION)</p>

Notes:

- (1) The registered owner of the property is Grant Horn Investment Limited, a wholly owned subsidiary of the Company.
- (2) Upon previous inspection, we noted the following addition and alteration works were undertaken within the property, which are not shown on the registered floor plan:
 - A cockloft was erected above the rear portion of the ground floor shop.
 - An internal staircase was erected to link up the ground floor, the cockloft and the first floor.

For the purpose of the valuation, we have relied on the existing layout of the property and has not allowed for any costs which are necessary to reinstate the property to its original design and layout. It is estimated that the reinstatement costs would be less than HK\$500,000.
- (3) The following encumbrances are registered against the property at the date of our Land Registry searches:
 - Deed of Grant with plans in favour of Chan Sing Yam vide Memorial No. UB450989 dated 29 June 1964.
 - Deed of Mutual Grant of Right of Way & Easements with plans in favour of Chan Sing Yam vide Memorial No. UB454592 dated 1 September 1964.
 - Deed of Mutual Covenant with plan vide Memorial No. UB466580 registered on 16 December 1964.
 - Order No. C/TF/000430/16/K by the Building Authority under S.24 (1) of the Buildings Ordinance with plan vide Memorial No. 16032400570119 dated 10 March 2016. (re: Common Parts only)
 - Mortgage in favour of Nanyang Commercial Bank Limited to secure all moneys in respect of general banking facilities vide Memorial No.16102400570168 dated 30 September 2016.
 - Rental Assignment in favour of Nanyang Commercial Bank Limited vide Memorial No.16102400570175 dated 30 September 2016.

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019												
7. Shops No. B & C on Ground Floor, the Whole of Upper Ground Floor and 1st Floor, Ka Wing Building, 27 Granville Road, Tsimshatsui, Kowloon	<p>The property comprises two shop units on the ground floor and two commercial floors of Ka Wing Building, which is a 19-storey composite building completed in 1987 in Tsimshatsui.</p> <p>The approximate total gross floor area and saleable area of the property is 7,900 sq.ft. (733.93 sq.m.) and 5,445 sq.ft. (505.85 sq.m.) respectively. Breakdown of the gross floor area for the respective floors are as follows:</p>	<p>As at the date of valuation, Shops Nos. B and C on the Ground Floor were leased for a term of 3 years expiring in June 2021, with an option to renew for further 3 years. The monthly rental as at the date of valuation is HK\$305,000 (exclusive of management fee and rates).</p> <p>The whole of Upper Ground Floor and 1st Floor were leased for a term of 3 years expiring on June 2021. The monthly rental as at the date of valuation is HK\$270,000 (exclusive of management fee and rates).</p>	<p>HK\$223,400,000 (HONG KONG DOLLARS TWO HUNDRED TWENTY THREE MILLION AND FOUR HUNDRED THOUSAND)</p>												
325/750 equal and undivided shares of Kowloon Inland Lots Nos. 9367 and 8162	<p>Approx.</p> <table border="1"> <thead> <tr> <th></th> <th>Gross Floor Area</th> <th>Approx. Saleable Area</th> </tr> </thead> <tbody> <tr> <td>Shops B & C on G/F</td> <td>2,300 sq.ft. (213.68 sq.m.)</td> <td>1,391 sq.ft. (129.23 sq.m.)</td> </tr> <tr> <td>UG/F</td> <td>2,800 sq.ft. (260.13 sq.m.)</td> <td>2,090 sq.ft. (194.17 sq.m.)</td> </tr> <tr> <td>1/F</td> <td>2,800 sq.ft. (260.13 sq.m.)</td> <td>1,964 sq.ft. (182.46 sq.m.)</td> </tr> </tbody> </table> <p>The lots are held under two government leases for a common term of 150 years commencing from 24 June 1888. The current government rent payable for each of the lot is HK\$160 per annum.</p>		Gross Floor Area	Approx. Saleable Area	Shops B & C on G/F	2,300 sq.ft. (213.68 sq.m.)	1,391 sq.ft. (129.23 sq.m.)	UG/F	2,800 sq.ft. (260.13 sq.m.)	2,090 sq.ft. (194.17 sq.m.)	1/F	2,800 sq.ft. (260.13 sq.m.)	1,964 sq.ft. (182.46 sq.m.)		
	Gross Floor Area	Approx. Saleable Area													
Shops B & C on G/F	2,300 sq.ft. (213.68 sq.m.)	1,391 sq.ft. (129.23 sq.m.)													
UG/F	2,800 sq.ft. (260.13 sq.m.)	2,090 sq.ft. (194.17 sq.m.)													
1/F	2,800 sq.ft. (260.13 sq.m.)	1,964 sq.ft. (182.46 sq.m.)													

Notes:

- (1) The registered owner of the property is Spark View Limited, a wholly owned subsidiary of the Company.
- (2) From our internal inspection of the property, we noted that Shops B and C on the ground floor had been merged into a single unit. For the purpose of the valuation, we have relied on the existing layout of the property and has not allowed for any costs which are necessary to reinstate the property to its original design and layout. It is estimated that the reinstatement costs would be less than HK\$500,000.
- (3) The following encumbrances are registered against the property at the date of our Land Registry searches apart from tenancy agreement:
 - Occupation Permit No. K26/87 vide Memorial No. UB3535509 dated 29 October 1987.
 - Deed of Mutual Covenant vide Memorial No. UB3552588 registered on 24 November 1987.
 - Order No. INVO00280/K11/TF by the Building Authority under S.26 (1) of the Buildings Ordinance with plan vide Memorial No. 16071402380286 dated 17 June 2016. (re: for the reinforced concrete canopy at the first floor level facing Granville Road)
 - Mortgage in favour of Hang Seng Bank Limited to secure all moneys in respect of general banking facilities vide Memorial No. 17101001370016 dated 22 September 2017.
 - Rental Assignment in favour of Hang Seng Bank Limited vide Memorial No. 17101001370023 dated 22 September 2017.

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
8. The Whole of Lower Ground Floor, Ground Floor and 1st Floor, Tower I, Tern Centre, 237 Queen's Road Central, Hong Kong	The property comprises the lowest three floors of Tower I of Tern Centre, which is a twin-tower office development completed in 1990 in Sheung Wan. Tower 1 comprises 30 storeys, in which the ground floor and lower ground floor are used as retail shops whilst the remaining floors are used as offices.	As at the date of valuation, the property was fully let to various tenants with the latest tenancy expiring in 31 July 2020. The total monthly rental receivable was approximately \$228,000 (exclusive of management fee and rates) as at the date of valuation.	HK\$79,900,000 (HONG KONG DOLLARS SEVENTY NINE MILLION AND NINE HUNDRED THOUSAND)
38/500 equal and undivided shares of The Remaining Portion of Section A of Inland Lot No. 202 (IL 202 s.A RP), the Remaining Portion of Inland Lot No. 1482 (IL 1482 RP), Section B of Inland Lot No. 1482 (IL 1482 s.B), the Remaining Portion of Section A of Inland Lot No. 1482 (IL 1482 s.A RP), The Remaining Portion of Inland Lot No. 117 (IL 117 RP) and The Remaining Portion of Section A of Inland Lot No. 117 (IL 117 s.A RP)	The approximate total gross floor area and saleable area of the property is 6,080 sq.ft. (564.85 sq.m.) and 3,934 sq.ft. (365.48 sq.m.) respectively. Breakdown of the floor areas for respective floors are as follows:		
		Approx.	
		Gross Floor Area	Approx. Saleable Area
	LG/F	1,613 sq.ft. (149.85 sq.m.)	1,232 sq.ft. (114.46 sq.m.)
	G/F	2,287 sq.ft. (212.47 sq.m.)	1,272 sq.ft. (118.17 sq.m.)
	1/F	2,180 sq.ft. (202.53 sq.m.)	1,430 sq.ft. (132.85 sq.m.)
	The property is held under three government leases. The lease term of IL 202 and IL 1482 commences from 2 December 1844 for a term of 999 years whilst that of IL 117 commences from 26 June 1843 for a term of 999 years.		
	The current government rent payable for IL 202 s.A RP, IL 1482 and IL 117 are HK\$26.0, HK\$48.0 & 2 pounds 16 shillings and 2 ½ pence respectively.		

Notes:

- (1) The registered owner of the property is Zepersing Limited, a wholly owned subsidiary of the Company.
- (2) The following encumbrances are registered against the property at the date of our Land Registry searches:
 - Deed of Mutual Grant of Rights in favour of Grademark Limited and High Spark Properties Limited vide Memorial No. UB4633067 dated 3 December 1990.
 - Deed of Mutual Covenant and Management Agreement in favour of Kamillex Property Management Limited “The Manager” vide Memorial No. UB4662958 registered on 4 January 1991.
 - Offensive Trades Licence from District Lands Office/Hong Kong West & South vide Memorial No. 15060301570031 registered on 3 June 2015.
 - Order No. DBR/RB02-03/0001/12 by the Building Authority under S.26 of the Buildings Ordinance vide Memorial No. 16081200970211 dated 31 March 2015. (re: for internal common areas and exterior of the building)

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
9. The Whole of Tower II, Tern Centre, 251 Queen's Road Central, Hong Kong	The property comprises the whole of Tower II of Tern Centre, which is a twin-tower office development completed in 1990 in Central. Tower II comprises 18 storeys, in which the ground floor and lower ground floor are used as retail shops whilst the remaining floors are used as offices.	As at the date of valuation, the property was let to various tenants with the latest tenancy expiring in September 2020. The occupancy rate was about 97.6%.	HK\$360,300,000 (HONG KONG DOLLARS THREE HUNDRED SIXTY MILLION AND THREE HUNDRED THOUSAND)
Section B of Inland lot No. 99 (IL 99 s.B), The Remaining Portion of Section A of Inland Lot No. 117A (IL 117A s.A RP), The Remaining Portion of Section A of Inland Lot No. 117B (IL 117B, s.A RP), The Remaining Portion of Inland Lot No. 117C (IL 117C RP), The Remaining Portion of Section A of Inland Lot No. 117D (IL 117D s.A RP) and The Remaining Portion of Inland Lot No. 117D (IL 117D RP)	The total gross floor area and saleable area of the property is approximately 37,322 sq.ft. (3,467.30 sq.m.) and 23,130 sq.ft. (2,148.83 sq.m.) respectively.	As at the date of valuation, the total monthly rental receivable was approximately \$912,800 (exclusive of management fee and rates).	
	The property is held under 5 government leases all for a term of 999 years commencing from 26 June 1843. The government rent for each of the lot are as follows:		
		Government Rent	
	Lot No		
	IL 99sB	HK\$18 per annum	
	IL 117A s.A RP	HK\$6.68 per annum	
	IL 117B s.A	HK\$7.78 per annum	
	IL 117C	3 pounds 16S. 2 ½ D per annum	
	IL 117D	4 pounds 2S. 6D. per annum	

Notes:

- (1) The registered owner of the property is High Spark Properties Limited, a wholly owned subsidiary of the Company.
- (2) The property is currently zoned for "Commercial" purposes under the Draft Sai Ying Pun and Sheung Wan Outline Zoning Plan No. S/H3/32 dated 21 September 2018.
- (3) Various tenancy agreements are registered against the property at the date of our Land Registry searches.

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
10. The Whole of Ground Floor, 1st, 2nd, 3rd and 5th Floors, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	The property comprises the lowest four retail floors together with an office floor of The Bodynits Building, which is a 19-storey commercial building completed in 1997 in Tsimshatsui.	As at the date of valuation, the property was let to various tenants with the latest tenancy expiring in October 2020. The occupancy rate was 77.1% and the total monthly rental receivable for the property was approximately \$501,500 (exclusive of management fee and rates).	HK\$255,400,000 (HONG KONG DOLLARS TWO HUNDRED FIFTY FIVE MILLION AND FOUR HUNDRED THOUSAND)
1,140/2,130 equal and undivided shares of Kowloon Inland Lot No. 9133	The approximate total gross floor area and saleable area of the property are 7,152 sq.ft. (664.44 sq.m.) and 4,720 sq.ft. (438.50 sq.m.) respectively. Breakdown of the floor areas for respective floors are as follows:		
	Approx. Gross Approx. Floor Saleable Area Area		
	Floor		
	G/F	1,529 sq.ft. (142.05 sq.m.)	1,017 sq.ft. (94.48 sq.m.)
	1/F & 2/F	2,968 sq.ft. (275.73 sq.m.)	1,950 sq.ft. (181.16 sq.m.)
	3/F	1,673 sq.ft. (155.43 sq.m.)	1,080 sq.ft. (100.33 sq.m.)
	5/F	982 sq.ft. (91.23 sq.m.)	673 sq.ft. (62.52 sq.m.)
	The Property is held under Conditions of Regrant No. 8803 for a lease term of 150 years commencing from 24 June 1888. The current government rent payable for the lot is HK\$194 per annum.		

Notes:

- (1) The registered owner of the property is Kimberly Investment Limited, a wholly owned subsidiary of the Company.
- (2) The following encumbrance is registered against the property at the date of our Land Registry searches:
 - Occupation Permit No. K21/97 vide Memorial No. UB7149174 dated 27 June 1997.
 - Deed of Mutual Covenant and Management Agreement in favour of Kamillex Property Management Limited “The Manager” vide Memorial No. UB7227997 registered on 26 August 1997.
 - Mortgage in favour of The Bank of East Asia Limited to secure all moneys in respect of general banking facilities vide Memorial No. 17010500500175 dated 12 December 2016.

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
11. The Whole of 9th Floor, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon 70/2,130 equal and undivided shares of Kowloon Inland Lot No. 9133	The property comprises an office floor of The Bodynits Building, which is a 19-storey commercial building completed in 1997 in Tsimshatsui. The gross floor area and saleable area of the property is approximately 1,074 sq.ft. (99.78 sq.m.) and 686 sq.ft. (63.73 sq.m.) respectively. The property is held under Conditions of Regrant No. 8803 for a lease term of 150 years commencing from 24 Jun 1888. The current government rent payable for the lot is HK\$194 per annum.	As at the date of valuation, the property was leased at a monthly rental of HK\$36,500 (exclusive of rates and management fee) for a term of 2 years expiring in August 2020.	HK\$11,400,000 (HONG KONG DOLLARS ELEVEN MILLION AND FOUR HUNDRED THOUSAND)

Notes:

- (1) The registered owner of the property is Win Easy Development Limited, an associate (50% ownership) of the Company.
- (2) The following encumbrances are registered against the property at the date of our Land Registry searches:
 - Occupation Permit No. K21/97 vide Memorial No. UB7149174 dated 27 June 1997.
 - Deed of Mutual Covenant and Management Agreement in favour of Kamillex Property Management Limited "The Manager" vide Memorial No. UB7227997 registered on 26 August 1997.
 - Mortgage in favour of The HongKong Chinese Bank Limited Remarks: The consideration is all monies power of sale exercised see assignment Mem. No. 7961698 vide UB7314510 dated 16 October 1997.

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
12. The Whole of 20th Floor, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon 70/2,130 equal and undivided shares of Kowloon Inland Lot No. 9133	The property comprises an office floor of The Bodynits Building, which is a 19-storey commercial building completed in 1997 in Tsimshatsui. The gross floor area and saleable area of the property are approximately 1,074 sq.ft. (99.78 sq.m.) and 686 sq.ft. (63.73 sq.m.) respectively. The property is held under Conditions of Regrant No. 8803 for a lease term of 150 years commencing from 24 June 1888. The current government rent payable for the lot is HK\$194 per annum.	As at the date of valuation, the property was leased at a monthly rental of HK\$35,500 (exclusive of rates and management fee) for a term of 2 years expiring in March 2020.	HK\$11,600,000 (HONG KONG DOLLARS ELEVEN MILLION AND SIX HUNDRED THOUSAND)

Notes:

- (1) The registered owner of the property is Pomeroy Company Limited, a wholly owned subsidiary of the Company.
- (2) The following encumbrances are registered against the property at the date of our Land Registry searches:
 - Occupation Permit No. K21/97 vide Memorial No. UB7149174 dated 27 June 1997.
 - Deed of Mutual Covenant and Management Agreement in favour of Kamillex Property Management Limited "The Manager" vide Memorial No. UB7227997 registered on 26 August 1997.

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
13. The Whole of the 6th Floor, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	The property comprises the whole sixth floor of The Bodynits Building, which is a 19-storey commercial building completed in 1997 in Tsimshatsui.	As at the date of valuation, the property was leased for a term of 2 years expiring in May 2021. The monthly rental as at the date of valuation is	HK\$11,500,000 (HONG KONG DOLLARS ELEVEN MILLION AND FIVE HUNDRED THOUSAND)
70/2,130 equal and undivided shares of Kowloon Inland Lot No. 9133	The gross floor area and saleable area of the property is approximately 1,074 sq.ft. (99.78 sq.m.) and 686 sq.ft. (63.73 sq.m.) respectively.	HK\$32,200 (exclusive of management fee and rates).	
	The property is held under Conditions of Regrant No. 8803 for a lease term of 150 years commencing on 24 June 1888. The current government rent payable for the lot is HK\$194 per annum.		

Notes:

- (1) The registered owner of the property is Pomeroy Company Limited, a wholly owned subsidiary of the Company.
- (2) The following encumbrances are registered against the property at the date of our Land Registry searches:
 - Occupation Permit No. K21/97 vide Memorial No. UB7149174 dated 27 June 1997.
 - Deed of Mutual Covenant and Management Agreement in favour of Kamillex Property Management Limited "The Manager" vide Memorial No. UB7227997 registered on 26 August 1997.

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
14. The Whole of the 12th Floor, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	The property comprises the whole twelfth floor of The Bodynits Building, which is a 19-storey commercial building completed in 1997 in Tsimshatsui.	As at the date of valuation, the property was leased at a monthly rental of HK\$33,900 (exclusive of rates and management fee) for a term of 2 years expiring in September 2019.	HK\$11,600,000 (HONG KONG DOLLARS ELEVEN MILLION AND SIX HUNDRED THOUSAND)
70/2,130 equal and undivided shares of Kowloon Inland Lot No. 9133	The gross floor area and saleable area of the property is approximately 1,074 sq.ft. (99.78 sq.m.) and 686 sq.ft. (63.73 sq.m.) respectively.		
	The property is held under Conditions of Regrant No. 8803 for a lease term of 150 years commencing from 24 June 1888. The current government rent payable for the lot is HK\$194 per annum.		

Notes:

- (1) The registered owner of the property is Pomeroy Company Limited, a wholly owned subsidiary of the Company.
- (2) The following encumbrances are registered against the property at the date of our Land Registry searches:
 - Occupation Permit No. K21/97 vide Memorial No. UB7149174 dated 27 June 1997.
 - Deed of Mutual Covenant and Management Agreement in favour of Kamillex Property Management Limited "The Manager" vide Memorial No. UB7227997 registered on 26 August 1997.

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
15. The Whole of Southgate Commercial Centre, 29 Granville Road, Tsimshatsui, Kowloon	The property comprises the whole of Southgate Commercial Building, which is a 19-storey office building completed in 1998. The lowest three floors are designated as retail use, whilst the remaining floors are used for offices. The retail floors are accessible directly to and from Granville Road by a separate staircase.	As at the date of valuation, the property was let to various tenants with the latest tenancy expiring in November 2022. The occupancy rate was about 100% and the total monthly rental receivable was approximately \$1,555,780 (exclusive of management fee and rates).	HK\$538,100,000 (HONG KONG DOLLARS FIVE HUNDRED THIRTY EIGHT MILLION AND ONE HUNDRED THOUSAND)
The Whole of Kowloon Inland Lot Nos. 7075 and 6551	The approximate total gross floor area and saleable area of the property is 36,076 sq.ft. (3,351.54 sq.m.) and 21,783 sq.ft. (2,023.69 sq.m.) respectively. The property is held under Conditions of Re-grant Nos. 5647 and 5336 both for a term of 150 years commencing from 24 June 1888. The current government rent payable for each of the lots is \$160 per annum.		

Notes:

- (1) The registered owner of the property is Take Easy Investment Limited, a wholly owned subsidiary of the Company.
- (2) The property is currently zoned for “Commercial (6)” uses under the approved Tsim Sha Tsui Outline Zoning Plan No. S/K1/28 exhibited on 13 December 2013 as at the date of valuation.
- (3) The total registered site area of Inland Lot Nos. 7075 and 6551 is about 2,801 sq.ft. We are of the opinion that the market value of the property lies on its existing use value.
- (4) The salient lease conditions of Kowloon Inland Lot Nos. 7075 and 6551 are summarized below:
 - The lot shall not be used for industrial purposes and no factory building shall be erected thereon (KIL 7075 only)
 - The lot or any building erected thereon shall not be used for any purpose other than non-industrial (excluding godown, residential and petrol filling station) purposes (KIL 6551 only)
 - The total gross floor area of any building(s) erected on the lot shall not be less than 937 sq.m. and shall not exceed 1,561.87 sq.m. (KIL 6551 only)
- (5) The following encumbrances are registered against the property at the date of our Land Registry searches:
 - Modification Letter (re: KIL 6551) vide Memorial No. UB6776526 dated 2 October 1996.
 - Occupation Permit (Permit No. K16/98) vide Memorial No. UB7520217 dated 18 June 1998.

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
16. Shops No. 1, 2 and 6 on Ground Floor, and the whole of 1st, 2nd, 3rd, 4th, 5th, 6th Floors, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	The property comprises the 6 retail/restaurants floors and 3 ground floor shops of Tern Plaza, which is a 20-storey commercial building completed in 1994. Separate lift is designed for the retail/restaurant floors while a spiral staircase is also used to link up 1st to 3rd floor.	As at the date of valuation, the property was fully occupied. The property was let to various tenants with the latest tenancy expiring in January 2022. The total monthly rental receivable for the property was approximately \$2,075,000 (exclusive of management fee and rates).	HK\$661,000,000 (HONG KONG DOLLARS SIX HUNDRED AND SIXTY ONE MILLION)
3,632/7,498 equal and undivided shares of Kowloon Inland Lot Nos. 8437, 8244 and 10218	The approximate total gross floor area and saleable area of the property is 26,391 sq.ft. (2,452.78 sq.m.) and 17,398 sq.ft. (1,616.31 sq.m.) respectively. Breakdown of the areas for respective floors are as follows:		

Floor	Approx. Gross Floor Area		Approx. Saleable Area
	sq.ft.	sq.m.	
G/F	2,236 sq.ft. (207.73 sq.m.)	1,359 sq.ft. (126.25 sq.m.)	
1/F	5,040 sq.ft. (468.23 sq.m.)	2,806 sq.ft. (260.68 sq.m.)	
2/F	5,173 sq.ft. (480.58 sq.m.)	3,147 sq.ft. (292.36 sq.m.)	
3/F	5,215 sq.ft. (484.49 sq.m.)	3,147 sq.ft. (292.36 sq.m.)	
4/F to 6/F (Each floor)	2,909 sq.ft. (270.25 sq.m.)	2,313 sq.ft. (214.88 sq.m.)	

The property is held under three government leases. The lease term of Kowloon Inland Lot Nos. 8437 and 8244 commences on 24 June 1888 for a common term of 150 years, whilst that of Kowloon Inland Lot No. 10218 commences on 24 June 1963 for a lease term of 75 years.

The current government rent payable for Kowloon Inland Lot Nos. 8437, 8244 and 10218 are HK\$170, HK\$496 and HK\$168 per annum respectively.

Notes:

- (1) The registered owner of the property is Win Easy Development Limited, an associate (50% ownership) of the Company.
- (2) The following encumbrances are registered registration against the property at the date of our Land Registry searches apart from various tenancy agreements:
 - Occupation Permit No. K33/94 vide Memorial No. UB6094045 dated 25 July 1994.
 - Deed of Mutual Covenant and Management Agreement vide Memorial No. UB6107083 registered on 3 September 1994.
 - Sub-Deed of Mutual Covenant with plans in favour of Kamillex Property Management Limited (Manager) vide Memorial No. 09102901110032 dated 30 September 2009.
 - Mortgage in favour of Nanyang Commercial Bank Limited for a consideration of all money in respect of general banking facilities vide Memorial No. 09110500990156 dated 8 October 2009. (re: Shop 1 on G/F)
 - Rental Assignment in favour of Nanyang Commercial Bank Limited vide Memorial No. 09110500990166 dated 8 October 2009. (re: Shop 1 on G/F)
 - Mortgage in favour of Nanyang Commercial Bank Limited for a consideration of all money in respect of general banking facilities vide Memorial No. 09110500990173 dated 8 October 2009. (re: Shop 2 on G/F)
 - Rental Assignment in favour of Nanyang Commercial Bank Limited vide Memorial No. 09110500990182 dated 8 October 2009. (re: Shop 2 on G/F)

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
17. The Whole of 8th & 9th Floors, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon 482/7,498 equal and undivided shares of Kowloon Inland Lot Nos. 8437, 8244 and 10218	<p>The property comprises 2 office floors of Tern Plaza, which is a 20-storey commercial building completed in 1994.</p> <p>The approximate total gross floor area and saleable area of the property is 6,022 sq.ft. (559.46 sq.m.) and 4,076 sq.ft. (378.67 sq.m.) respectively.</p> <p>The property is held under three government leases. The lease term of Kowloon Inland Lot Nos. 8437 and 8244 commences on 24 June 1888 for a common term of 150 years, whilst that of Kowloon Inland Lot No. 10218 commences on 24 June 1963 for a lease term of 75 years.</p> <p>The current government rent payable for Kowloon Inland Lot Nos. 8437, 8244 and 10218 are HK\$170, HK\$496 and HK\$168 per annum respectively.</p>	As at the date of valuation, the property was let to various tenants with the latest tenancy expiring in January 2022. The occupancy rate was 69.9% and the total monthly rental receivable for the property was approximately \$135,600 (exclusive of management fee and rates).	HK\$65,100,000 (HONG KONG DOLLARS SIXTY FIVE MILLION AND ONE HUNDRED THOUSAND)

Notes:

- (1) The registered owner of the property is Home Easy Limited, an associate (50% ownership) of the Company.
- (2) The following encumbrances are registered registration against the property at the date of our Land Registry searches apart from various tenancy agreements:
 - Occupation Permit No. K33/94 vide Memorial No. UB6094045 dated 25 July 1994.
 - Deed of Mutual Covenant and Management Agreement vide Memorial No. UB 6107083 registered on 3 September 1994.
 - Legal Charge/Mortgage in favour of Standard Chartered Bank (Hong Kong) Limited for all moneys vide Memorial No. 05042002360051 dated 1 April 2005.
 - Rental Assignment in favour of Standard Chartered Bank (Hong Kong) Limited for all moneys vide Memorial No. 05042002360068 dated 1 April 2005.
 - Partial Release vide Memorial No. 09110500990071 dated 30 September 2009.
 - Sub-Deed of Mutual Covenant with plans in favour of Kamillex Property Management Limited (Manager) vide Memorial No. 09102901110032 dated 30 September 2009.

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
18. Office Units 2 and 3 on 13th Floor, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon 107/7,498 equal and undivided shares of Kowloon Inland Lot Nos. 8437, 8244 and 10218	<p>The property comprises 2 office units of Tern Plaza, which is a 20-storey commercial building completed in 1994.</p> <p>The approximate total gross floor area and saleable area of the property is 1,420 sq.ft. (131.92 sq.m.) and 959 sq.ft. (89.09 sq.m.) respectively.</p> <p>The property is held under three government leases. The lease term of Kowloon Inland Lot Nos. 8437 and 8244 commences on 24 June 1888 for a common term of 150 years, whilst that of Kowloon Inland Lot No. 10218 commences on 24 June 1963 for a lease term of 75 years.</p> <p>The current government rent payable for Kowloon Inland Lot Nos. 8437, 8244 and 10218 are HK\$170, HK\$496 and HK\$168 per annum respectively.</p>	As at the date of valuation, the property was let to two tenants with the latest tenancy expiring in February 2020. The total monthly rental receivable for the property was approximately \$46,900 (exclusive of management fee and rates).	HK\$15,000,000 (HONG KONG DOLLARS FIFTEEN MILLION)

Notes:

- (1) The registered owner of the property is Pomeroy Company Limited, a wholly owned subsidiary of the Company.
- (2) The following encumbrances are registered registration against the property at the date of our Land Registry searches apart from various tenancy agreements:
 - Occupation Permit No. K33/94 vide Memorial no. UB6094045 dated 25 July 1994.
 - Deed of Mutual Covenant and Management Agreement vide Memorial No. UB 6107083 registered on 3 September 1994.
 - Sub-deed of Mutual Covenant vide Memorial No. UB6107084 registered on 3 September 1994.

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
19. The Whole of 18th Floor, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	The property comprises the whole eighteenth floor of Tern Plaza, which is a 20-storey commercial building completed in 1994.	As at the date of valuation, all four units of the property were leased to 4 tenants, with the latest tenancy expiring in September 2020.	HK\$29,600,000 (HONG KONG DOLLARS TWENTY NINE MILLION AND SIX HUNDRED THOUSAND)
214/7,498 equal and undivided shares of Kowloon Inland Lot No. 8437, 8244 and 10218	<p>The gross floor area and saleable area of the property is approximately 2,839 sq.ft. (263.75 sq.m.) and 1,887 sq.ft. (175.31 sq.m.) respectively.</p> <p>The property is held under three government leases. The lease term of Kowloon Inland Lot Nos. 8437 and 8244 commence on 24 June 1888 for a common term of 150 years, whilst that of Kowloon Inland Lot No. 10218 commences on 24 June 1963 for a lease term of 75 years.</p> <p>The current government rent payable for Kowloon Inland Lot Nos. 8437, 8244 and 10218 are HK\$170, HK\$496 and HK\$168 per annum respectively.</p>	<p>The total monthly rental of the property is approximately HK\$90,600 (exclusive of rates and management fee).</p>	

Notes:

- (1) The registered owner of the property is Pomeroy Company Limited, a wholly owned subsidiary of the Company.
- (2) The following encumbrances are registered against the property at the date of our Land Registry searches:
 - Occupation Permit No. K33/94 vide Memorial No. UB6094045 dated 25 July 1994.
 - Deed of Mutual Covenant and Management Agreement vide Memorial No. UB6107083 registered on 3 September 1994.
 - Sub-deed of Mutual Covenant vide Memorial No. UB6107084 registered on 3 September 1994.

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
20. The Whole of 11th Floor, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	The property comprises the whole eleventh floor of Tern Plaza, which is a 20-storey commercial building completed in 1994.	As at the date of valuation, the property was let to various tenants with the latest tenancy expiring in July 2020.	HK\$29,500,000 (HONG KONG DOLLARS TWENTY NINE MILLION AND FIVE HUNDRED THOUSAND)
213/7,498 equal and undivided shares of Kowloon Inland Lot No. 8437, 8244 and 10218	<p>The gross floor area and saleable area of the property is approximately 2,839 sq.ft. (263.75 sq.m.) and 1,887 sq.ft. (175.31 sq.m.) respectively.</p> <p>The property is held under three government leases. The lease term of Kowloon Inland Lot Nos. 8437 and 8244 commence on 24 June 1888 for a common term of 150 years, whilst that of Kowloon Inland Lot No. 10218 commences on 24 June 1963 for a lease term of 75 years.</p> <p>The current government rent payable for Kowloon Inland Lot Nos. 8437, 8244 and 10218 are HK\$170, HK\$496 and HK\$168 per annum respectively.</p>	<p>The occupancy rate was 74.1% and the total monthly rental receivable for the property was approximately \$65,500 (exclusive of management fee and rates).</p>	

Notes:

- (1) The registered owner of the property is Pomeroy Company Limited, a wholly owned subsidiary of the Company.
- (2) The following encumbrances are registered against the property at the date of our Land Registry searches:
 - Occupation Permit No. K33/94 vide Memorial No. UB6094045 dated 25 July 1994.
 - Deed of Mutual Covenant and Management Agreement vide Memorial No. UB6107083 registered on 3 September 1994.
 - Sub-Deed of Mutual Covenant vide Memorial No. UB6107084 registered on 3 September 1994.

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
21. Carpark No. 31 on the Podium of Level 2, 37 Repulse Bay Road, Hong Kong 1/2,667 equal and undivided shares of Rural Building Lot No. 410	The property comprises one of the car parking spaces within the car parking podium of 37 Repulse Bay Road, which is a luxury residential development completed in 1994 in Repulse Bay. The lot is held under the government lease of Rural Building Lot No. 410 for a term of 75 years commencing from 20 June 1938 renewable for 75 years. The current government rent payable for lot is HK\$766 per annum.	The property was vacant as at the date of valuation.	HK\$1,900,000 (HONG KONG DOLLARS ONE MILLION AND NINE HUNDRED THOUSAND)

Notes:

- (1) The registered owner of the property is High Spark Properties Limited, a wholly owned subsidiary of the Company.
- (2) The following encumbrances are registered against the property at the date of our Land Registry searches:
 - Notice of Changing and Adjusting the Total Undivided Shares vide Memorial No. UB5910090 dated 29 January 1994.
 - Occupation Permit No. H19/94 vide Memorial No. UB5931514 dated 7 February 1994.
 - Deed of Mutual Covenant vide Memorial No. UB5975036 registered on 16 April 1994.
 - Management Agreement in favour of Kolot Property Services Limited "The Manager" vide Memorial No. UB5975037 dated 10 March 1994.

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
22. Shop No. 18A on Ground Floor, Star House, 3 Salisbury Road, Tsimshatsui, Kowloon	The property comprises a unit shop on ground floor of Star House, which is a 19 storey commercial building with shopping arcade on lower floors completed in 1969 in Tsimshatsui.	As at the date of valuation, the property was leased to a tenant at a monthly rental of HK\$46,000 (exclusive of rates and management fee) for a term of 3 years expiring in November 2021.	HK\$22,400,000 (HONG KONG DOLLARS TWENTY TWO MILLION AND FOUR HUNDRED THOUSAND)
37/19,328 equal and undivided shares of Kowloon Marine Lot No. 10	The gross floor area and saleable area of the property is approximately 450 sq.ft. (41.81 sq.m.) and 260 sq.ft. (24.15 sq.m.) respectively. The property is held under Government Lease for a lease term of 999 years commencing from 25 July 1864. The current government rent payable for the lot is HK\$736 per annum.		

Notes:

- (1) The registered owner of the property is Grademark Limited, a wholly owned subsidiary of the Company.
- (2) The following encumbrances are registered against the property at the date of our Land Registry searches:
 - Deed of Mutual Covenant vide Memorial No. UB2190469 dated 11 December 1981.

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
23. The Whole of The Wave, No. 184 Nathan Road, Kowloon The Whole of Kowloon Inland Lot No. 9571	<p>The property comprises the whole of The Wave, which is a 15-storey office building completed in 1994. The lowest three floors and basement floor are designated as retail use, whilst the remaining floors are designated for offices. The retail floors are accessible directly to and from Nathan Road by a separate staircase.</p> <p>The total gross floor area and saleable area of the property is approximately 28,316 sq.ft. (2,621.33 sq.m.) and 18,151 sq.ft. (1,686.27 sq.m.) respectively.</p> <p>The property is held under Conditions of Re-grant No. 9426 for a term of 150 years commencing from 25 December 1893. The current government rent payable for the lot is \$274 per annum.</p>	<p>As at the date of valuation, the property was fully let with the latest tenancy expiring in October 2021. The total monthly rental receivable for the property was approximately \$1,247,800 (exclusive of rates and management fee).</p>	<p>HK\$437,000,000 (HONG KONG DOLLARS FOUR HUNDRED AND THIRTY SEVEN MILLION)</p>

Notes:

- (1) The registered owner of the property is Kingunit Company Limited, a wholly owned subsidiary of the Company.
- (2) The property is currently zoned for "Commercial" uses under the approved Tsim Sha Tsui Outline Zoning Plan No. S/K1/28 approved on 13 December 2013 as at the date of valuation.
- (3) The registered site area of Inland Lot No. 9571 is about 2,382 sq.ft. We are of the opinion that the market value of the property lies on its existing use value.
- (4) The salient lease conditions of Kowloon Inland Lot No. 9571 are summarized below:
 - The lot shall not be used for industrial purposes and no factory building shall be erected thereon
 - The grantee shall not assign, underlet, mortgage or otherwise deal with the lot or any section thereof or create or assign, underlet, mortgage or otherwise deal with any estate, interest or share therein or enter in any agreement to do any of the said things unless and until he shall first have paid to the Government the whole of the outstanding balance of premium together with interest accrued thereon at the said rate

- (5) The following encumbrances are registered against the property at the date of our Land Registry searches apart from various tenancy agreements:
- Occupation Permit No. K18/94 vide Memorial No. UB6021572 dated 6 May 1994.
 - Deed of Mutual Covenant vide Memorial No. UB6043313 registered on 20 June 1994.
 - Mortgage in favour of The Ka Wah Bank Limited for a consideration of part of all moneys vide Memorial No. UB6047708 dated 20 May 1994.
 - Mortgage to secure general banking facilities in favour of Bank of China for consideration see memorial power of sale exercised see assignment M/N 8268656 vide Memorial No. UB6044945 dated 20 May 1994. (re: Unit A on 15th Floor)
 - Second Mortgage in favour of Bank of China for a consideration of all moneys vide Memorial No. UB7165944 dated 19 Jun 1997. (re: Unit A on 15th Floor)
 - Memorandum of Change of Name of Building from “Englong Commercial Building” to “The Wave” vide Memorial No. 06071101220016 dated 8 July 2006.

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
24. Shop No. 5, Ground Floor, Lee Fat Building, Nos. 30-36 Jardine's Crescent, Causeway Bay, Hong Kong	The property comprises a shop unit on ground floor of Lee Fat Building in Causeway Bay, which is a 21-storey composite building completed in 1983.	As at the date of valuation, the property was leased at a monthly rental of HK\$35,000 (exclusive of rates and management fee) for a term of 2 months commencing from February 2019.	HK\$30,700,000 (HONG KONG DOLLARS THIRTY MILLION AND SEVEN HUNDRED THOUSAND)
463/6,800 equal and undivided shares of Section C, E, F and G of Inland Lot No. 81	The approximate gross floor area and saleable area of the property is 700 sq.ft. (65.03 sq.m.) and 415 sq.ft. (38.55 sq.m.) respectively. The lot is held under Government Lease for a term of 999 years commencing from 26 June 1843. The current government rent payable for the property is HK\$40 per annum.		

Notes:

- (1) The registered owner of the property is Grademark Limited, a wholly owned subsidiary of the Company.
- (2) The following encumbrances are registered against the property at the date of our Land Registry searches apart from tenancy agreement:
 - Deed of Mutual Covenant vide Memorial No. UB2429055 registered 4 July 1983.
 - Order No. DBR/RB03-02/0001/12 by the Building Authority under Section 26 of the Buildings Ordinance vide Memorial No. 14021201300014 dated 27 November 2013. (re: Common Part(s) only)

3.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 March 2019
25. The Whole of 16th Floor, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	The property comprises the whole sixteenth floor of Tern Plaza, which is a 20-storey commercial building completed in 1994.	As at the date of valuation, all the four units in the property were leased, with the latest tenancy expiring in March 2021. The total monthly rental of the property is approximately HK\$94,700 (exclusive of rates and management fee).	HK\$29,700,000 (HONG KONG DOLLARS TWENTY NINE MILLION AND SEVEN HUNDRED THOUSAND)
214/7,498 equal and undivided shares of Kowloon Inland Lot No. 8437, 8244 and 10218	<p>The gross floor area and saleable area of the property is approximately 2,839 sq.ft. (263.75 sq.m.) and 1,887 sq.ft. (175.31 sq.m.) respectively.</p> <p>The property is held under three government leases. The lease term of Kowloon Inland Lot Nos. 8437 and 8244 commence on 24 June 1888 for a common term of 150 years, whilst that of Kowloon Inland Lot No. 10218 commences on 24 June 1963 for a lease term of 75 years.</p> <p>The current government rent payable for Kowloon Inland Lot Nos. 8437, 8244 and 10218 are HK\$170, HK\$496 and HK\$168 per annum respectively.</p>		

Notes:

- (1) The registered owner of the property is Pomeroy Company Limited, a wholly owned subsidiary of the Company.
- (2) The following encumbrances are registered against the property at the date of our Land Registry searches:
 - Occupation Permit No. K33/94 vide Memorial No. UB6094045 dated 25 July 1994.
 - Deed of Mutual Covenant and Management Agreement vide Memorial No. UB6107083 registered on 3 September 1994.
 - Sub-Deed of Mutual Covenant vide Memorial No. UB6107084 registered on 3 September 1994.

**GENERAL PRINCIPLES ADOPTED IN THE PREPARATION
AND CONDITIONS THAT APPLY TO AND FORM PART
OF
HONG KONG VALUATIONS AND REPORTS**

This document sets out the terms of engagement for our valuation services. They apply unless we have specifically mentioned otherwise in the service agreement or in the body of the Reports. Where appropriate, we will be pleased to discuss variations to suit any particular circumstances, where appropriate. Any variations to these terms of engagement must be confirmed in writing.

Our Valuations and Reports are confidential to, and for the use only of, the party to whom they are addressed and for the stated specific purpose. No responsibility whatsoever is accepted to any third parties who may use or rely on the whole or any part of the contents of any such Valuation or Report. The whole or any part of the Valuation or Report, or reference thereto, must not be published or referred to in any document, statement, circular, or in any communication with third parties, without our prior written approval of the form and context in which it will appear.

1. Valuation Methodology:

All work is carried out in accordance with the “HKIS Valuation Standards 2017” published by The Hong Kong Institute of Surveyors (“HKIS”), the “International Valuation Standards 2017” published by the International Valuation Standards Council (“IVSC”) and the “RICS Valuation – Global Standards 2017” published by the Royal Institution of Chartered Surveyors (“RICS”) subject to variation to meet local established law. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the relevant Valuation Standards.

Compliance with the RICS standards may be subject to monitoring under the RICS’ conduct and disciplinary regulations.

2. Valuation Basis:

Our valuations are made on the basis of Market Value as defined by IVSC and adopted by HKIS and RICS, set out as:

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Our valuations are made on the assumption that the owner sells the property on the open market without the benefit of a deferred terms contract, leaseback, joint venture or similar arrangement which would serve to affect the value of the property.

Each valuation is current as at the date of valuation only. The value assessed may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of preceding half of this paragraph, we do not assume any responsibility or accept liability where this valuation is relied upon after the expiration of three months from the date of valuation.

3. Costs:

No allowances are made in our valuations for dealing with any encumbrances such as charges, mortgages, nor for amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale or disposal.

4. Source of Information:

We accept as being complete and correct the information provided to us, by the sources listed, as to details of tenure, tenancies, tenant's improvements, planning consents and other relevant matters, as summarized in our report.

5. Assumptions

Unless we state otherwise in the valuation, our valuation assumes (without investigation on our part), where applicable,

- (a) good and marketable title, and no encumbrance on the property's title which could materially affect its value,
- (b) no encroachment by or on the property,
- (c) no major environmental factor (including contamination) affects the property,
- (d) no deficiencies in the structural integrity of the property and other improvements,
- (e) the property is not affected or required for any public purposes or is to be acquired for a public purpose,
- (f) there are no outstanding statutory orders on the property or the likely possibility of future orders being made by a regulatory authority,
- (g) body corporate records and finances are in a satisfactory order and there are no major financial commitments, orders or levies in respect of any major rectifications, remedial or other works to be undertaken by the body corporate above normal maintenance,
- (h) no material litigation pending relating to the property,

- (i) that the property (and any works thereto) comply with all relevant statutory regulations, including enactments relating to fire regulations,
- (j) no deleterious materials (including by way of example asbestos and calcium chloride),
- (k) ground conditions and services are suitable (including, particularly with respect to agricultural land, no possibility of latent infestation in the soil or of disease which might affect crops or stock at any time in the future) and no extraordinary expenses or delays will be incurred due to archaeological, ecological or environmental matters.

Without affecting the generality of the above, where leases or documents of title or site and building surveys or building report or pest certificate or engineer's certificate or body corporate records are provided to us for the purpose of the valuation, reliance must not be placed on our interpretation thereof of any of these documents.

6. Tenants:

Enquiries as to the financial standing of actual or prospective tenants are not made unless we specifically agree to in writing. Where properties are valued with the benefit of lettings, it is therefore assumed, unless we are informed otherwise in writing, that the tenants are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

7. Measurements:

All measurements are carried out in accordance with the "Code of Measuring Practice" booklet published by the HKIS. To suit the local legislation and/or client's request or agreement, we declare our departure from the "RICS property measurement" published by RICS in May 2015. Unless otherwise stated, we do not physically measure the actual properties or verify the floor areas provided to us, unless we specifically agree in writing to do so, although we make reference to the Registered Floor Plans if available.

8. Jurisdiction:

Unless the parties otherwise agree in writing, all disputes arising out and relating to our valuation shall be finally settled under Hong Kong Law and the parties irrevocably submit to the jurisdiction of the Hong Kong Courts.

B. LETTER FROM JONES LANG LASALLE REAL ESTATE SERVICES INC.

The following is the text of a letter, summary of valuations and valuation certificate, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Real Estate Services Inc., an independent valuer, in connection with its valuation as at 31 March 2019 of the property interests of the Group in Canada.

June 28th, 2019

The board of directors
Tern Properties Company Limited
Tern Centre, Tower I, 26th Floor
237 Queens Road Central
Hong Kong

Dear Sirs,

We are pleased to submit this report indicating our opinion of the market value in terms of cash of the subject property, subject to the Assumptions and Limiting Conditions set out in the Addenda of this report. It is our opinion that the report is based on the most recent Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP), as well as the HKIS Valuation Standards, the IVSC and RICS Valuation Global Standards.

Our study entailed a personal inspection of the property, an interview with on-site management, an analysis of relevant information provided by management, and an examination of external market conditions, transactional evidence and other important factors. This document is prepared for the purpose and objective of estimating the 100% market value of the freehold strata title of the subject property as of March 31st, 2019. We are of the understanding that the reasoning for the report is for public disclosure purposes.

Based on our analysis of the information, it is our considered opinion that the 100 percent market value of **Unit 2406, 1238 Melville Street, Vancouver, BC, Canada** as of March 31st, 2019 is:

Nine Hundred Thousand Dollars
\$900,000

Should any questions arise, or should you require further information, please contact the undersigned at your convenience.

Sincerely,

Gordon Coffell, AACI, P.App, MRICS
Executive Vice President & National Practice Lead

JLL
Advisory and Appraisal Services
22 Adelaide St. West, Suite 2600
Toronto, ON M5H 4E3

T +1 416 304 6000
F +1 416 304 6001
www.jll.ca

1. TERMS OF REFERENCE

1.1 Purpose & Instruction of the Appraisal

The purpose of this appraisal is to estimate the market value of Unit 2406-1238 Melville Street, Vancouver, BC, free and clear of financing and with an effective date of March 31st, 2019. This report has been commissioned by Tern Properties Company Limited for the purpose of public disclosure.

The report is subject to those Assumptions and Limiting Conditions contained in the Addenda, in addition to any assumptions which may be stated in the body of the report.

In the process of preparing this appraisal, we:

- Inspected the subject property;
- Interviewed on site management of the building;
- Ascertained sale prices and analyzed where possible comparable properties;
- Examined market conditions as of the effective date.

1.2 Basis of Valuation

It is our opinion that the valuation findings have been prepared in accordance with the most recent Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP), as well as the most recent HKIS Valuation Standards published by The Hong Kong Institute of Surveyors (“HKIS”), the “International Valuation Standards” published by the International Valuation Standards Council (“IVSC”) and the “RICS Valuation – Global Standards” published by the Royal Institution of Chartered Surveyors (“RICS”). Further, we are of the opinion that the report complies with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Rule 11 of the Hong Kong Code on Takeovers and Mergers.

This appraisal is based on both The Hong Kong Institute of Surveyors (“HKIS”) and The Canadian Uniform Standards of Professional Appraisal Practice. The HKIS defines Market value as:

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length negotiation after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

The Canadian Uniform Standards of Professional Appraisal Practice (the Standards) adopted by the Appraisal Institute of Canada defines Market Value as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised and acting in their own best interests;
- A reasonable time is allowed for exposure in the market;
- Payment is made in cash in Canadian dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The term “property” refers to the land, buildings and certain fixtures and amenities which are incidental to the value of the condominium unit. The market value, as defined, is based on 100% interest of the condominium unit. It should be noted that the condo unit is currently rented for one year, ending Feb 29th, 2020 (the terms of the lease agreement are set up in the Addenda). We have not given any consideration to this factor when determining market value.

1.3 Valuation Assumptions

Our valuation of the market value has been made on the assumption that the owner sells the property interests on the market without the benefit of a deferred terms contract, joint venture, management agreement or any similar arrangement which could serve to affect the values of the property interests. No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting sales or lettings. Unless otherwise stated, it is assumed that the property interests are free of legal complications and encumbrances, restrictions, outgoings of an onerous nature which could affect their values.

1.4 Valuation Methodology

For assets such as the subject property, JLL Canada will utilize the Direct Comparison Approach.

The direct comparison method is a method of valuation based on comparing the property to be valued directly with other comparable properties that have recently transacted. Comparable premises are generally located in the surrounding areas or in other sub-markets

which are comparable to that of the property. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative and quantitative difference that may affect the price/rental likely to be achieved by the property under consideration.

1.5 Sources of Information

We have relied on certain information provided by ownership and its agents for the property. We have also obtained certain other information available from public domains regarding the property tax, title or any other details. We have assumed that all the information provided to us is correct.

The dimensions, measurements and areas included in the report are based on information provided by the Company and or gathered from other reliable sources. We have not carried out on-site measurements to verify the correctness of the condominium unit area.

1.6 Measurements

It is our opinion that all measurements are carried out in accordance with The Canadian Uniform Standards of Professional Appraisal Practice (the Standards) adopted by the Appraisal Institute of Canada as well as the “Code of Measuring Practice” booklet published by the HKIS.

1.7 Property Title

STRATA LOT 156, PLAN LMS2080, DISTRICT LOT 185, GROUP 1, NEW WESTMINSTER LAND DISTRICT, TOGETHER WITH AN INTEREST IN THE COMMON PROPERTY IN PROPORTION TO THE UNIT ENTITLEMENT OF THE STRATA LOT

1.8 Property Inspection

The property was inspected by Mr. Gordon Coffell, AACI, P.App, MRICS; on June 17th, 2019.

1.9 JLL Canada Representatives

The Appraisal was prepared by Gordon Coffell, AACI, P.App, MRICS; and staff, on behalf of JLL Canada. Mr. Coffell is a member in good standing of the Appraisal Institute of Canada and not a broker of JLL Canada nor is he licensed under the Real Estate Commission of Ontario to act as brokers. JLL Canada does not have any present or prospective interest in the subject property, and no personal interest or bias with respect to any parties involved.

1.10 Reasonable Exposure Time

Exposure time is always presumed to precede the effective date of the appraisal. It may be defined as:

The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. It is a retrospective estimate based upon an analysis of past events assuming a competitive and open market. In today's market the time associated with the sale of a property becomes a function of the quality of the asset, the location as well as the type of property.

It is difficult to accurately estimate the time frame it would take to sell a property of this nature, but after discussions with various investors in the market and assuming proper marketing, it is our estimate that a property such as the subject would require **four to six** months to sell.

2. PROPERTY DESCRIPTION

The subject property is a condo unit located on the 24th floor of the Pointe Claire building located at 1238 Melville Street. It consists of 896 ft² of floor area with total 6 rooms which includes 2 bedrooms, 2 full bathroom, kitchen & living area plus a balcony. Built in 1995, the complex is located in the Coal Harbour area of the City of Vancouver nearby the Melville and Jervis Street intersection. The building has 35 floors and 196 units, and the amenities include an Exercise Centre, Indoor Swimming Pool, Sauna/Steam room, Bicycle storage, Party room and Court yard. Other features include a complete security system with card access, a lobby concierge, 3 elevators, secure parking and separate bicycle parking. Located in downtown Vancouver, it has easy access to public transit on West Pender and is just a few blocks to Burrard Skytrain Station.

2.1 General Property Data

2.1.1 Address

The Pointe Claire Building
Unit 2406, 1238 Melville Street
Vancouver, British Columbia V6E 4N2

2.1.2 Ownership

The subject property is currently owned by Laquinta Investments Ltd., a wholly-owned subsidiary of Tern Properties Company Limited c/o Castle Management Ltd. (250-5900 No. 3 Road, Richmond BC V6X 3P7). It is a Residential property held for investment.

2.1.3 Tenure

The tenure is a leased fee interest in the Freehold – Strata Title consisting of a Condominium unit. The leased fee expires in Feb 29th, 2020 or sooner, should the landlord wish to discontinue. We refer you to the Addenda for the details of the lease agreement.

2.1.4 Encumbrances

Aside from the lease agreement, we are unaware of any other encumbrances associated with the subject unit. With respect to the lease agreement, ownership has right to cancel the lease with 2-month notice given to the tenants which is compensated with 2 months of free rent.

2.1.5 Legal Description

STRATA LOT 156, PLAN LMS2080, DISTRICT LOT 185, GROUP 1, NEW WESTMINSTER LAND DISTRICT, TOGETHER WITH AN INTEREST IN THE COMMON PROPERTY IN PROPORTION TO THE UNIT ENTITLEMENT OF THE STRATA LOT

2.1.6 Property Tax Assessment

As per BC Assessment, the assessed value of the property as of 2019 is \$1,044,000.

2.1.7 Zoning

As per City of Vancouver’s Zoning By-law 3575, the subject property is zoned as “CD-1 Comprehensive Development (254)”.

2.2 Property Characteristics

2.2.1 Design/Style

Unit 2406 is a southwest (city) facing condominium unit on the 24th floor which consists of 2 bedrooms, 2 baths, living area and kitchen, and contains approximately 896 sq. ft. plus balcony.

2.2.2 Utilities

All typical city services.

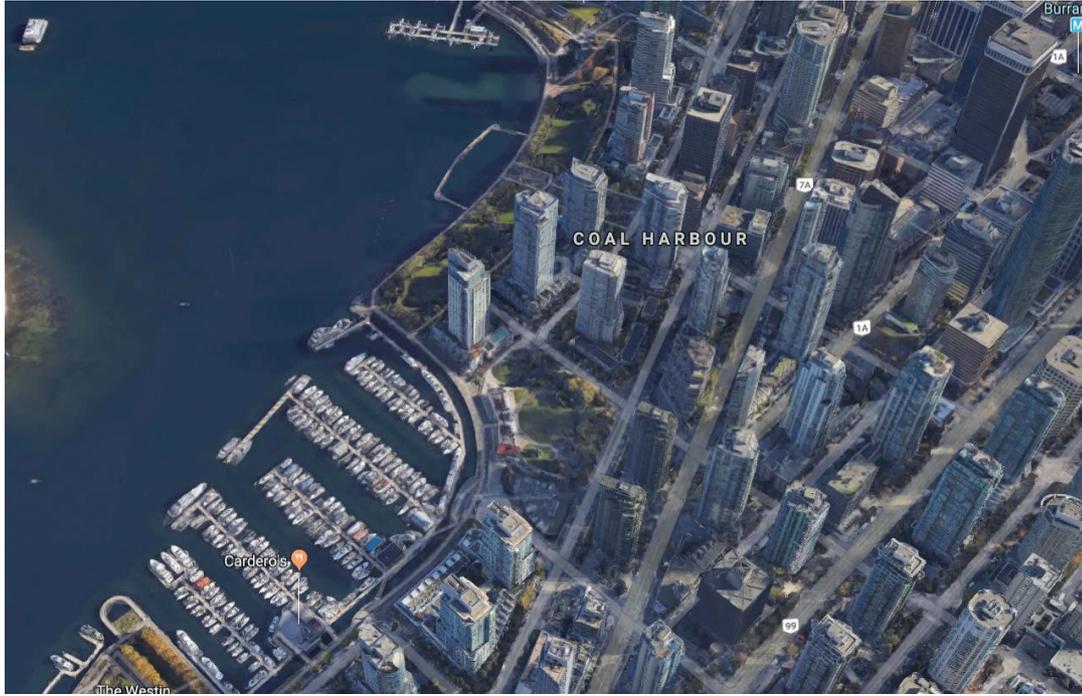
2.2.3 Amenities

The common area amenities include Exercise Centre, Indoor Swimming Pool, Sauna/Steam room, Bicycle storage, Party room, Court yard, etc.

2.2.4 *Parking*

The Condominium unit has 1 underground space (Stall 79) included in the ownership.

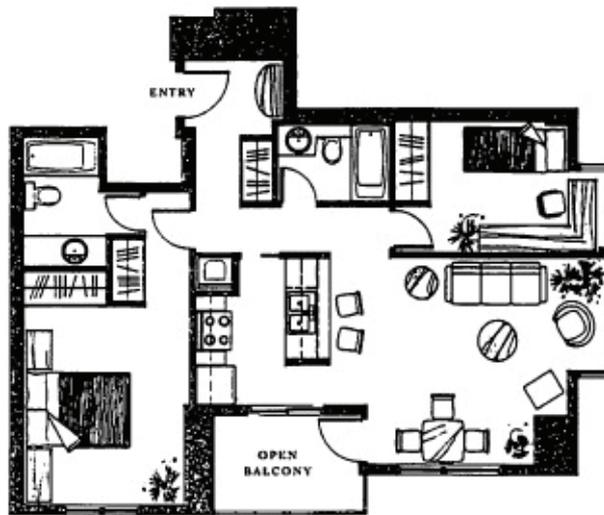
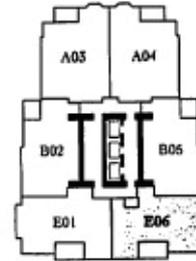
2.3 **Site Aerial**



2.4 Floor Plan



UNIT TYPE E1
 14TH THRU 24TH FLOOR
 TOTAL AREA 964 SQ. FT. APPROX.



FOYER	3'8" x 9'6"
LIVING/DINING	18'6" x 13'6"
MASTER BEDROOM	11'0" x 13'0"
SECOND BEDROOM	12'0" x 8'6"
KITCHEN	9'0" x 9'8"
STORAGE	2'8" x 5'0"
OPEN BALCONY	10'0" x 6'6"

3. MARKET OVERVIEW

3.1 Vancouver Residential Market Overview

The following information was primarily gathered from The Saretsky Report (as of March 2019) which addresses, the Vancouver Residential market. Other data was also sourced for this overview.

Conditions as of March 2019 continued to experience limited activity and significant pricing declines. The detached market activity slipped 14% year over year reflecting the fewest sales on record in the City of Vancouver. Further there is 12 months of inventory on the market which is excessive considering 4 to 6 months supply reflects a balanced market. This level of inventory will continue downward pressure on prices.

The Condo Market

March saw Condo sales fall 35% year over year and the inventory nearly double from last year. This is significant as it reported that there is still over 40,000 units under construction in Greater Vancouver Area, which will undoubtedly add price pressures on the condo segment.

Pricing fell 7.5% year over year on a per unit basis and a full 11.5% from a square foot basis. The following chart reflects the March Statistics for Condo in the City of Vancouver.

It should be noted that the record high for Condo sales on a price per square foot was \$1,124 in January 2018.

	<i>CONDOS</i>		
	MARCH 2019	MARCH 2018	% CHG (YR)
NUMBER OF SALES	328	504	-35%
NUMBER OF NEW LISTINGS	912	766	19%
INVENTORY	1,905	973	96%
SALES TO ACTIVE RATIO	17%	52%	-67%
MONTHS OF SUPPLY	5.4	1.8	193%
AVG DAYS ON MARKET	26.3	18.5	42%
MEDIAN DAYS ON MARKET	15	8	88%
AVG PRICE	\$810,934	\$926,739	-12%
MEDIAN PRICE	\$688,888	\$755,000	-9%
AVG PRICE PER SQ FT	\$961	\$1,085	-11%
MEDIAN PRICE PER SQ FT	\$958	\$1,050	-9%
% OF LISTINGS SOLD OVER ASKING	11%	50%	-78%

From a downtown perspective the latest information indicated an inventory of 349 Condos & Townhouses with only 17% selling. More specifically the Coal Harbour market in which the subject is located had an inventory of 158 units available with only 9% (or 14 units) selling.

4. VALUATION

4.1 Method of Valuation

4.1.1 Introduction

The method of valuation used in this appraisal is Direct Comparison Approach:

Direct Comparison Approach

The Direct Comparison Approach is an opinion of market value that is formulated through the comparison of properties that are similar to the subject that have recently transacted, are listed for sale, or are under contract. This approach is premised on the fact that the market value of a property is related to the sale price of a comparable, competitive property.

4.1.2 Valuation Analysis

Due to the decline in Residential Condominium activity and pricing which has taken place over the past 15 months, it was considered necessary to set out two charts; the first dealing with the most recent transaction activity at the subject complex, which in this instance took place in the first half of 2018, approximately one year prior to the effective date. The second chart sets out the most recent listing activity at the complex. According to the real estate board, there have been no unit transaction in the building thus far in 2019. The chart is as follows:

2018 Market Activity – 1238 Melville Street, Vancouver						
Address	Date Sold	Sale Price	Description	Unit Size (S.F.)	View	Price PSF
1307-1238 Melville Street	2-Jan-18	\$630,000	1 Bedroom	572	South - City	\$1,101
1903-1238 Melville Street	19-Jan-18	\$1,288,000	3 Bedrooms	1,058	Northwest - Mountain, Water, Park	\$1,217
2004-1238 Melville Street	14-Feb-18	\$1,328,000	3 Bedrooms	1,058	Northeast - City & Water	\$1,255
2602-1238 Melville Street	19-Apr-18	\$1,515,000	3 Bedrooms	1,249	Northwest - Mountain, Water, Park	\$1,213
2403-1238 Melville Street	14-May-18	\$1,350,000	3 Bedrooms	1,072	South - City	\$1,259
1107-1238 Melville Street	10-Jun-18	\$748,000	1 Bedroom	617	South - City	\$1,212
2018 Average Sale Price						<u>\$1,210 psf</u>

2019 Current Listings – 1238 Melville Street, Vancouver						
Address	Listed Date	Listed Price	Description	Unit Size (S.F.)	View	Price PSF
1902-1238 Melville Street	14-Jan-19	\$998,000	2 Bedrooms	951	Northwest - Mountain, Water, Park	\$1,049
1007-1238 Melville Street	23-Apr-19	\$679,000	1 Bedroom	617	South - City	\$1,100
1805-1238 Melville Street	7-May-19	\$998,000	2 Bedrooms	945	Northeast - City & Water	\$1,056
501-1238 Melville Street	22-May-19	\$799,800	1 Bedroom	815	South - City	\$981
2704-1238 Melville Street	1-Jun-19	\$1,190,000	3 Bedrooms	1,223	Southeast - City	\$973
1205-1238 Melville Street	5-Jun-19	\$838,000	2 Bedrooms	873	Northeast - Mountains, City & Water	\$960
Current (2019) Average Listing Price						\$1,020 psf

- The 2018 transactions all took place in the first half of the year; which was close to the peak of the market.
- Since that time there has been very little in the way of transaction activity and in fact there is no evidence of sales activity in the first half of 2019, within the subject complex.
- The listing units (per sq. ft.) are far lower (16%) than the average actual sale prices in 2018 based on a Price per Square Foot.
- Despite the effective date of March 2019, markets continue to decline.
- Coal Harbour continues to be an attractive area to locate, due to its proximity to the downtown core. Nonetheless, the challenging climate of the residential market has affected it as well.

4.2 Final Value Estimate

After consideration of all the condominium unit attributes including:

- The building quality;
- The Coal Harbour location;
- Building amenities;
- Unit size;

- Vistas, and;
- The effective date of the value.

It is our opinion that a value per square foot would have ranged from \$975.00 to \$1,025.00 per square foot. Therefore,

$$\$975 \times 896 \text{ sf} = \$873,600; \text{ to } \$1,025 \times 896 \text{ sf} = \$918,400$$

After consideration of all of the physical and market characteristics of **Unit 2406, 1238 Melville Street, Vancouver, BC**, it is our opinion that the market value as of March 31st, 2019 was:

Nine Hundred Thousand Dollars
\$900,000

APPENDIX 1: SUMMARY OF LEASE AGREEMENT:

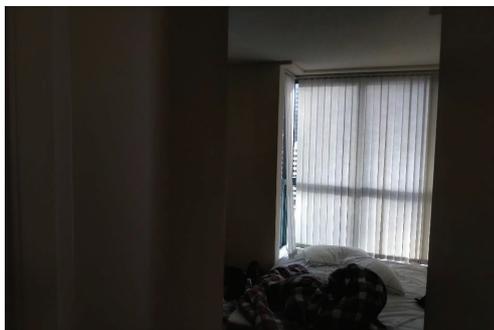
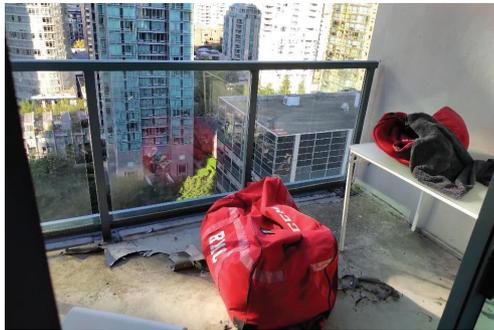
The Lease Agreement is dated February 26th, 2019.

- **Name of the Landlord:** Laquinta Investment Ltd.
- **Name of the Tenant:** Brandon MaClean
Didi Kiple
- **Address:** #2406-1238 Melville Street, Vancouver, BC, V64 4N2
- **Tenancy Start Date:** March 1, 2019
- **Tenancy End Date:** Feb 29, 2020 subject to the Landlord's option for early termination.
- **Early Termination:** The Tenant and the Landlord mutually and irrevocably agree that the Landlord may terminate the fixed term tenancy with two calendar months' notice by the Landlord to the Tenant. The Tenant shall be compensated for early termination of the fix term tenancy by receiving the final two months of tenancy rent free.

If the Tenant ends the fixed term tenancy early or the Landlord ends the fixed term tenancy for breach of the tenancy agreement by the Tenant before the end of the term as set above, the Tenant irrevocably agrees that the sum of One Thousand One Hundred Ninety-Five Dollars Only (\$1,195.00) shall be paid to the Landlord.

- **Rent Payments:** The Tenant shall pay \$2,390.00 rent per month, which includes the parking stall P79.

APPENDIX 2: PHOTOGRAPHS OF SUBJECT PROPERTY



(Balcony view)

APPENDIX 3: ASSUMPTIONS & LIMITING CONDITIONS**1. Liability Limit:**

This report has been prepared by us for Tern Properties Company Limited (the “**Client**”), its auditors and any other person named herein for the specific purposes and functions, and on the assumptions and with the limiting conditions, stated herein (the “**Permitted Users**”). No person other than the Permitted Users may rely on this report without first obtaining written consent from us and the Client. This report has been prepared on the basis of the foregoing and any and all liability which may rise in connection with the use or reliance of this report by any person other than a Permitted user is disclaimed.

2. Title:

Except as otherwise noted in this report, we have assumed that title is clear and marketable and that there are no recorded or unrecorded issues that could adversely affect marketability or value. We are not aware of, or been advised of, any title defects except as otherwise noted in this report. We have not examined title and make no representations relative to the condition thereof. Documents which concern liens, easements, encroachments, restrictions, covenants or other encumbrances or conditions that may affect the quality of title have not been reviewed. Any concerns regarding financial loss arising due to claims that may occur due to defects in title should be addressed by the Client with insurance from a qualified title insurance provider.

3. Confidentiality and Use of the Report:

This report is subject to copyright and is confidential. Except as may be required by law, rule or regulation, it may not be provided, in whole or in part, to any third parties without our prior written consent. Neither all nor any part of the contents of this report shall be used for advertisement, newspaper, sales or any other purpose without our prior written consent.

4. Changes to the Report:

This report shall be used only in its entirety. All the conclusions and opinions expressed herein are ours, and no changes shall be made by anyone other than us except with our prior written consent.

5. Information Provided:

It is assumed that all factual data furnished to us by the Client or any other person on behalf of the Client in connection with the preparation of this report is accurate and correct, except as otherwise noted herein. Except as otherwise noted in this report, we have no reason to believe that any of the data so provided contains any material error. Any material error in such data could have a substantial impact on the conclusions in this report and we shall have

the right to amend such conclusions if we become aware of any such error. The Client should carefully review all assumptions, data, calculations and conclusions and notify us immediately of any questions, concerns or errors.

6. Court Appearances, etc.:

Upon receipt of this report, the Client shall pay for it in its entirety as agreed to between us and the Client. We will not be required to appear in court to provide testimony or otherwise be present at any proceeding, or to otherwise provide any further consultations, unless agreed to by us and the Client. In the event that we are requested by Client to appear or otherwise participate in any proceeding, the Client shall compensate us for all of the time spent (at our standard rates then in effect) and shall reimburse us for all related reasonable and documented out-of-pocket expenses.

7. Plan, Location Maps and Photographs:

Any photographs, plans or location maps which form part of this report are provided for purposes of assisting the reader in identifying the subject properties. These items are not necessarily at scale and are not topographic surveys, unless otherwise indicated in the report.

8. Conditions of the Subsoil:

We have inspected, as intensely as possible through direct observation only, the land of the subject properties; however it was not possible to determine the conditions in the subsoil and we make no representations or warranties in connection therewith. Except as otherwise noted in this report, the estimate of market value set out herein assumes that there are no conditions that may cause a loss in value of the subject properties. Except as otherwise noted in the report, we have assumed that there are no mineral deposit or subsurface rights of value or any air or development rights of value associated with the subject properties. If material to the Client, we recommend the Client retain the appropriate specialist to provide an opinion or report with respect to these matters.

9. Structure and Improvements:

Except as otherwise noted in this report, we have assumed that: (A) the existing improvements on the subject properties are structurally sound, seismically safe and conform with all applicable municipal, provincial and federal building codes; (B) all building systems (e.g., mechanical, electrical, HVAC and plumbing) are in good working order with no major deferred maintenance or repair required; and (C) the roof and exterior are in good condition. No member of our staff is an engineer and therefore we are not qualified and do not purport to judge matters of an engineering nature, including for certainty any inspections of mechanical issues. We have not retained any services provider to assist in connection with the foregoing and we make no representations or warranties in connection therewith. Except as otherwise noted in this report: (A) no problems were brought to our attention by or on behalf of the Client; (B) we did not inspect the entire interior and exterior of the subject properties; and (C)

we were not provided copies of any engineering studies. If an engineering consultant identifies negative factors of a material nature, or if such factors are later discovered, such information could have a substantial negative impact on the conclusions reported in this report. Accordingly, if negative findings are reported at any time by any engineering consultant, we will be entitled to amend this report in our sole discretion.

10. Environment, Zoning and Permitting:

Except as otherwise noted in this report, we have assumed that the subject properties fully comply with all applicable municipal, provincial and federal environmental and ecology laws and regulations. Likewise, we assume that all the construction and zoning regulations have been met, and all the permits and licenses are valid and may be renewed without any trouble whatsoever upon their expiration. Except as otherwise noted in this report, we are not aware of any contemplated public initiatives, governmental development controls or rent controls that would significantly affect the value of the subject properties.

11. Auxiliary Studies:

Except as otherwise noted herein, this report does not include special environmental impact studies or analyses. We reserve the right to modify, review or cancel any affirmation, opinion, value, estimate or conclusions set out in this report to reflect any information submitted to us in the future by or on behalf of the Client.

12. Other Types of Properties:

Furniture, equipment, appliances and other items that are ordinarily considered to be personal property, as well as operating conditions of the going concern, have been disregarded for purposes of this report, except as otherwise noted in the report or if such items would customarily be considered to form part of the subject properties. In certain types of properties, the real estate and going concern values may be changed.

13. Value of the Currency and Purchasing Power:

The estimated market value and the costs provided in this report are as of the date of this report, and all the amounts are based on the purchasing power and price of the Canadian dollar on such date. Though we may do so in our absolute discretion, we shall have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of this report.

14. Market Dynamics and Changes in Value:

The estimated market value provided in this report is subject to change due to changes in the market conditions that may occur subsequent to the date of this report. The value of the subject properties is directly related to their physical conditions, as well as to local and potentially non-local social, economic and political conditions. The estimated market value set

out in this report is provided as at the date of this report and is subject to change given the dynamics of the market. We reserve the right to modify this report to reflect any information that we obtain or that is provided to us by or on behalf of the Client after the date of this report.

15. Use of Estimates:

Any projections of income, expenses and economic conditions in this report are estimates of current expectations of future income and expenses. They are not predictions. Actual results may vary from the projections considered herein, and we provide no representation or warranties in connection therewith. Projections may be affected by circumstances beyond our current knowledge or control. Any estimate of market value provided in this report is provided in respect of the whole of the subject properties. Except as otherwise noted in this report, any pro ration or subdivision of title into fractional interests will invalidate such estimates of market value. Should title to the subject properties be held or changed to be held by a partnership or through a joint venture, co-tenancy or any other form of divisional ownership, the relative value of any fractional interest therein may differ from percentage ownership in the arrangements pertaining to the subject properties.

16. Hazardous Materials:

We are not qualified to detect hazardous materials and, except as otherwise noted in this report, we have no knowledge of the existence of any such materials on or in the subject properties. The presence of substances such as asbestos, urea formaldehyde foam insulation or other potentially hazardous materials may affect the value of the subject properties. The value estimate in this report assumes that there is no such material on or in the property that would cause a loss in value, and all liability is disclaimed with respect to any such conditions. The Client should retain an expert in this field, if desired.

17. Scope – General:

This report does not purport to provide any opinion or analysis on any matter which may require legal expertise or other specialized knowledge or skills beyond those which are customarily provided by real estate appraisers. We have not engaged and shall not be responsible for any costs to engage professionals qualified to provide an opinion or analysis of such items, and we make no representations or warranties with respect to the same.

18. Right to Modify the Report:

Without limiting our rights to do so as set out elsewhere in these assumptions and limiting conditions, we reserve the right to modify this report and the affirmations, analyses, conclusions or any other value estimate contained in this report, if data or general information not known previously is obtained or provided to us by or on behalf of the Client after the date of this report.

19. Professional Fees:

The fees paid to us for this report correspond to our professional services and not to the actual time required to complete the appraisal.

20. Compliance with AIC Standards:

It is our opinion that the appraisal and any opinions contained in this report have been prepared by us in accordance with the Canadian Uniform Standards of Professional Appraisal Practice of the Appraisal Institute of Canada, dated January 1, 2018, as well as the HKIS Valuation Standards, the IVSC and RICS Valuation Global Standards.

21. Indemnity by Client:

The Client shall indemnify and hold us and our directors, officers and employees (collectively, the “**Covered Persons**”) harmless from and against the full amount of any loss, liability, damage, cost, expense, charge, fine, penalty or assessment including the costs and expenses of any action, suit, proceeding, demand, assessment, judgment, settlement or compromise and all interest, fines, penalties and reasonable and documented out-of-pocket professional fees and disbursements (“**Loss**”) which a Covered Person may suffer to a third party to the extent as a result of any disclosure of this report in whole or in part by the Client, if such disclosure is not permitted by these assumption and limiting conditions or if during any permitted disclosure the Client misrepresents, distorts or provides incomplete or inaccurate information contained herein to such a third party.

The acceptance or use of this report by any Permitted User constitutes the acceptance of assumptions and limited conditions stated herein by such Permitted Users. This report is only valid if it bears the signature of one of our representatives.

APPENDIX 3: CERTIFICATION

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions and conclusions;
- We have no present or prospective interest in the properties that are the subject of this report, and we have no personal interest or bias with respect to the parties involved;
- Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event;
- Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice and with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute of Canada;
- The property was inspected by Mr. Coffell on June 17th, 2019;
- The Appraisal Institute of Canada has a Mandatory Recertification Program for designated members. As of the date of this report we have fulfilled the requirements of the program;
- The value estimate contained in this report applies as of March 31st, 2019. This date may be referred to as the effective date of valuation.

Having regard for all the information contained in this report, it is our opinion that the market value of the 100 percent interest of **Unit 2406, 1238 Melville Street, Vancouver, BC, Canada** as of March 31st, 2019 is:

Nine Hundred Thousand Dollars
\$900,000

Gordon Coffell, AACI, P.App, MRICS
Executive Vice President & National Practice
Lead Advisory and Appraisal Services
Jones Lang LaSalle Real Estate Services, Inc.

June 28th, 2019

Date

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Buy-backs Code, the Takeovers Code and the Listing Rules for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

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. SHARE CAPITAL

The issued share capital of the Company as at the Latest Practicable Date and immediately upon Share Buy-back Completion and cancellation of the Buy-back Shares will be as follow:

<i>Issued and fully paid:</i>		<i>HK\$</i>
307,758,522	Shares as at the Latest Practicable Date	229,386,000
30,525,639	Shares to be bought back and cancelled pursuant to the Share Buy-back	–
<u>277,232,883</u>	Shares immediately upon Share Buy-back Completion and cancellation of the Buy-back Shares	<u>229,386,000</u>

All Shares in issue rank *pari passu* in all respects with each other, including, in particular as to rights in respect of return of capital, dividends and voting. The Shares in issue are listed on the Stock Exchange.

As at the Latest Practicable Date, the Company did not have any outstanding options, derivatives, warrants or other conversion rights affecting the Shares.

The number of Shares in issue as at 31 March 2019, being the date to which the latest audited financial statements of the Company were made up, was 307,758,522.

There was no reorganisation of capital of the Company during the two financial years preceding 16 May 2019, being the date of the Announcement.

Since 31 March 2019 (the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date and during the 12-month period immediately preceding 28 June 2019, being the date of this circular, the Company had not bought back any Shares.

During the two-year period immediately preceding 16 May 2019, being the date of the Announcement, the Company has not issued any Shares or agreed to issue any new Shares.

3. DIVIDENDS

The frequency and amount of dividends that have been paid out by the Company to the Shareholders during the two-year period immediately preceding 28 June 2019, being the date of this circular, are as follow:

	For the year ended	
	2019	2018
	<i>HK cents</i>	<i>HK cents</i>
Interim dividend per Share	2.2	2.2
Final dividend per Share	3.2	3.2
	<hr/>	<hr/>
Total dividend per Share	5.4	5.4
	<hr/> <hr/>	<hr/> <hr/>

The Company's ability to pay dividends to Shareholders depends on a number of factors including the financial position of the Group, investment opportunities available to the Group and the general market conditions. The Company will strike a balance between preserving cash for the Group for its operational and investment needs and distributing dividends to Shareholders. The Company has no plan or intention to alter its present dividend policy.

4. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the six months immediately preceding 16 May 2019, being the date of the Announcement and up to the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	Closing price per Share HK\$
2018	
30 November	4.166
31 December	4.166
2019	
31 January	4.166
28 February	4.300
29 March	4.150
26 April (<i>being the Last Trading Day</i>)	3.970
31 May	3.970
26 June (<i>being the Latest Practicable Date</i>)	4.800

Note: Trading of the Shares was suspended during the period from 29 April 2019 to 16 May 2019 pending the release of the Announcement.

Highest and lowest Share prices

During the period commencing six months preceding 16 May 2019, being the date of the Announcement and ending on the Latest Practicable Date,

- (a) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$4.80 per Share from 5 June 2019 to 26 June 2019; and
- (b) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$3.95 per Share on 4 April 2019 and 8 April 2019.

5. DISCLOSURE OF INTERESTS

(A) Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (i) 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 he is taken or deemed to have under such provisions of SFO); or (ii) to be kept under Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interest in the Company (long position)

Name of Directors	Capacity	Nature of interests	Number of Shares held	Aggregate long position	Percentage of aggregate long position
Mr. Chan	Beneficial owner	Personal interest	2,036,000	204,298,534	66.38
	Interest of controlled corporation	Corporate interest (Note a)	56,348,534		
	Founder of a discretionary trust	Other interest (Notes a & b)	171,736,896		
Mr. Andrew Chan	Beneficial owner	Personal interest	792,000	172,528,896	56.05
	Beneficiary of a trust	Other interest (Notes b & c)	171,736,896		
Ms. Emily Chan	Beneficiary of a trust	Other interest (Notes b & d)	171,736,896	171,736,896	55.80
Ms. Mary-ellen Chan	Beneficiary of a trust	Other interest (Notes b & e)	171,736,896	171,736,896	55.80

Notes:

- a. The 56,348,534 Shares are held as to 25,822,896 Shares by Evergrade and as to 30,525,638 Shares by Smartprint. The issued share capital of Evergrade is beneficially owned as to 50% by Mr. Chan and as to 50% by Beyers which is indirectly owned by Sow Pin Trust, a discretionary trust, the beneficiaries of which are Mr. Chan and his family members. These 25,822,896 Shares are also included in the 171,736,896 Shares held by Mr. Chan in the capacity as founder of a discretionary trust. The issued shares of Smartprint is wholly owned by Mr. Chan.
- b. The 171,736,896 Shares are held as to 145,914,000 Shares by Noranger and as to 25,822,896 Shares by Evergrade. The issued share capital of Noranger is beneficially wholly owned by Beyers and the issued share capital of Evergrade is beneficially owned as to 50% by Mr. Chan and as to 50% by Beyers. Beyers is indirectly owned by Sow Pin Trust, a discretionary trust, the founder of which is Mr. Chan and the beneficiaries of which are Mr. Chan and his family members. By virtue of the shareholdings as aforementioned, Mr. Chan is deemed to be interested in 171,736,896 Shares indirectly owned by Sow Pin Trust.

- c. Mr. Andrew Chan is a son of Mr. Chan and is a beneficiary of Sow Pin Trust, a discretionary trust as referred to in Note a above. By virtue of the shareholdings as mentioned in Note a above, Mr. Andrew Chan is deemed to be interested in 171,736,896 Shares indirectly owned by Sow Pin Trust.
- d. Ms. Emily Chan is a daughter of Mr. Chan and is a beneficiary of Sow Pin Trust, a discretionary trust as referred to in Note a above. By virtue of the shareholdings as mentioned in Note a above, Ms. Emily Chan is deemed to be interested in 171,736,896 Shares indirectly owned by Sow Pin Trust.
- e. Ms. Mary-ellen Chan is a daughter of Mr. Chan and is a beneficiary of Sow Pin Trust, a discretionary trust as referred to in Note a above. By virtue of the shareholdings as mentioned in Note a above, Ms. Mary-ellen Chan is deemed to be interested in 171,736,896 Shares indirectly owned by Sow Pin Trust.

(ii) Interest in an associated corporation of the Company (long position)

Name of Director	Named of the associated corporation	Capacity	Nature of interests
Ms. Emily Chan	Win Easy Development Limited	Interest of controlled corporation	Corporate Interest

Note: The issued share capital of Win Easy Development Limited is beneficially owned as to 50% by the Company and as to 50% by Kotime Properties Limited which is owned as to 10% by Fortman Investments Limited, a company wholly owned by Ms. Emily Chan.

Other than as disclosed above, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which are required (i) 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 he is taken or deemed to have under such provisions of SFO); or (ii) to be kept under Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(B) Substantial Shareholders' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, the interests and short positions of persons, other than the Directors or chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO, or is required to disclose under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	Capacity	Nature of interests	Number of Shares held	Aggregate long position	Percentage of aggregate long position
Chan Loo Kuo Pin	Interest of spouse	Family interest <i>(Note a)</i>	204,298,534	204,298,534	66.38
Credit Suisse Trust Limited as trustee of Sow Pin Trust	Interest of controlled corporation	Corporate interest <i>(Notes b, c & d)</i>	171,736,896	171,736,896	55.80
Brock Nominees Limited	Interest of controlled corporation	Corporate interest <i>(Notes b & c)</i>	171,736,896	171,736,896	55.80
Global Heritage Group Limited	Interest of controlled corporation	Corporate interest <i>(Notes b & c)</i>	171,736,896	171,736,896	55.80
Beyers	Interest of controlled corporation	Corporate interest <i>(Notes b, c & d)</i>	171,736,896	171,736,896	55.80
Noranger	Beneficial owner	Corporate interest <i>(Notes b, c & d)</i>	145,914,000	145,914,000	47.41
Evergrade	Beneficial owner	Corporate interest <i>(Notes b, c & d)</i>	25,822,896	25,822,896	8.39
Grand Fort Mr. Law	Beneficial owner Interest of controlled corporation	Corporate interest Corporate interest <i>(Note e)</i>	61,051,277 61,051,277	61,051,277 61,051,277	19.84 19.84
Mr. Chim	Interest of controlled corporation	Corporate interest <i>(Note e)</i>	61,051,277	61,051,277	19.84
Smartprint	Beneficial owner	Corporate interest <i>(Note f)</i>	30,525,638	30,525,638	9.92

Notes:

- a. The interest is the same block of Shares already disclosed under the personal, corporate and other interests of her husband, Mr. Chan as disclosed in the paragraph headed "Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures" above.

- b. All interests of Credit Suisse Trust Limited as trustee of Sow Pin Trust, Brock Nominees Limited, Global Heritage Group Limited, Beyers and the aggregate interests of Noranger and Evergrade relate to the same block of Shares.
- c. Credit Suisse Trust Limited as trustee of Sow Pin Trust is the holding company of Brock Nominees Limited and is deemed to be interested in the Shares owned by Sow Pin Trust, a discretionary trust as mentioned in Note d below through interests of corporations controlled by it as follows:

Name of controlled corporation	Name of controlling shareholder	Percentage control
Brock Nominees Limited	Credit Suisse Trust Limited as trustee of Sow Pin Trust	0.00
Global Heritage Group Limited	Brock Nominees Limited	100.00
Beyers	Global Heritage Group Limited	100.00
Noranger	Beyers	100.00
Evergrade	Beyers	50.00

- d. Credit Suisse Trust Limited as trustee of Sow Pin Trust is interested in 171,736,896 Shares which are held as to 145,914,000 Shares by Noranger and as to 25,822,896 Shares by Evergrade. The issued share capital of Noranger is beneficially wholly owned by Beyers and the issued share capital of Evergrade is beneficially owned as to 50% by Beyers and as to 50% by Mr. Chan. Beyers is indirectly owned by Sow Pin Trust, a discretionary trust, the beneficiaries of which are Mr. Chan and his family members.
- e. These interests in aggregate are in fact the same block of Shares disclosed under the interests of Grand Fort.
- f. Smartprint is wholly owned by Mr. Chan.

Other than as disclosed above, so far as was known to the Directors and chief executive of the Company in accordance with disclosure by the substantial shareholders under Part XV of the SFO, there was no person, other than a Director of the Company, who as at the Latest Practicable Date, had an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or is required to disclose under the provisions of Divisions 2 and 3 of Part XV of the SFO.

6. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

- (i) As at the Latest Practicable Date, the Company had not received any irrevocable commitment to approve or vote against the resolution to be proposed at the EGM for approving the Share Buy-back Agreement and the Share Buy-back.
- (ii) As at the Latest Practicable Date, save for the Deed of Undertaking, the Share Buy-back Agreement and the S&P Agreement, there was no other arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Share Buy-back (as referred to Note 8 to Rule 22 of the Takeovers Code).
- (iii) As at the Latest Practicable Date, save for the Deed of Undertaking, the Share Buy-back Agreement and the S&P Agreement, there was no agreement or arrangement to which the Company is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Share Buy-back.

- (iv) As at the Latest Practicable Date, apart from the total consideration for the Buy-back Shares, the Company had not paid and will not pay any other consideration, compensation or benefit in whatever form to Grand Fort, Mr. Chim, Mr. Law and/or their respective concert parties in connection with the Share Buy-back.
- (v) As at the Latest Practicable Date, apart from the Deed of Undertaking, the Share Buy-back Agreement and the S&P Agreement, there was no other understanding, arrangement or special deal between the Group on the one hand, and Grand Fort, Mr. Chim and Mr. Law and any parties acting in concert with them on the other hand.
- (vi) As at the Latest Practicable Date, apart from the Deed of Undertaking, the Share Buy-back Agreement and the S&P Agreement, there was no understanding, arrangement or agreement or special deal between the Company and (i) any Shareholders or recent Shareholders; (ii) Grand Fort, Mr. Chim and Mr. Law, and any parties acting in concert with them; or (iii) any Directors or recent Directors.
- (vii) Save for the 30,525,638 Sale Shares to be purchased by Smartprint, none of the Directors and their respective concert parties had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (viii) During the Relevant Period, none of the Directors or any persons acting in concert with them had borrowed or lent Shares or any convertible securities, warrants, options or derivatives of the Company.
- (ix) Save for the Deed of Undertaking, the Share Buy-back Agreement and the S&P Agreement, none of the holders of 10% or more of the voting rights of the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

As at the Latest Practicable Date:

- (i) save for the 30,525,639 Buy-back Shares and the 30,525,638 Sale Shares held by Grand Fort, none of Grand Fort, Mr. Chim, Mr. Law and parties acting in concert with them owns or has dealt in any Shares, options, derivatives, warrants or other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) convertible into Shares during the Relevant Period;
- (ii) save for the 30,525,639 Buy-back Shares and the 30,525,638 Sale Shares held by Grand Fort, none of Grand Fort, Mr. Chim, Mr. Law and parties acting in concert with them holds, owns or has control or direction over any shares, convertible securities, warrants, options or derivatives in respect of the Shares;

- (iii) none of Grand Fort, Mr. Chim, Mr. Law and parties acting in concert with any of them has received any irrevocable commitment to approve or vote against on the resolution to be proposed at the EGM for approving the Share Buy-back Agreement and the Share Buy-back;
- (iv) there are no outstanding derivatives in respect of the securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which are owned, controlled or directed by, or have been entered into by Grand Fort, Mr. Chim, Mr. Law and any person acting in concert with any of them;
- (v) save for the conditions set out in the Share Buy-back Agreement as disclosed in the section headed “Conditions precedent to Share Buy-back Completion” in the “Letter from the Board” in this circular and in the S&P Agreement as disclosed in the section headed “Conditions precedent to S&P Completion” in the “Letter from the Board” in this circular, there are no other conditions (including normal conditions relating to acceptance, listing and increase of capital) to which the Share Buy-back is subject;
- (vi) save for the Deed of Undertaking, the Share Buy-back Agreement and the S&P Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of Grand Fort or the Shares and which might be material to the Share Buy-back (as referred to Note 8 to Rule 22 of the Takeovers Code);
- (vii) save for the Deed of Undertaking, the Share Buy-back Agreement and the S&P Agreement, there is no agreement or arrangement to which Grand Fort, Mr. Chim, Mr. Law and parties acting in concert with them is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Share Buy-back;
- (viii) none of Grand Fort, Mr. Chim, Mr. Law and parties acting in concert with them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (ix) apart from the consideration for the Buy-back Shares and the Sale Shares payable to Grand Fort, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Group or Smartprint to Grand Fort, Mr. Chim, Mr. Law and any parties acting in concert with them in connection with the Share Buy-back and the Transfer; and
- (x) apart from the S&P Agreement, there is no other understanding, arrangement or special deal between Smartprint and parties acting in concert with it on the one hand, and Grand Fort, Mr. Chim and Mr. Law and any parties acting in concert with them on the other hand.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had existing or proposed service contracts with any member of the group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had engaged in any business that competes or is likely to compete, either directly or indirectly with the business of the Group or have any other conflict of interest with the Group.

9. INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, no contract or arrangement of significance subsisted and in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly.

As at the Latest Practicable Date, none of the Directors was interested, directly or indirectly, in any assets which had since 31 March 2019 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or lease to any member of the Group.

10. MATERIAL CONTRACT

Save for the Deed of Undertaking, there were no material contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the Group) have been entered into by members of the Group within the two years before the date of the Announcement which are or may be material.

11. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

12. EXPERTS AND CONSENTS

The followings are the names and the qualifications of the professional advisers to the Company whose letter, opinion or advice are contained or referred to in this circular.

Name	Qualification
Founder Securities Capital	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)
Jones Lang LaSalle Limited	independent professional surveyor and valuer
Jones Lang LaSalle Real Estate Services Inc.	independent professional surveyor and valuer
HLM CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, Founder Securities Capital, Jones Lang LaSalle Limited, Jones Lang LaSalle Real Estate Services Inc. and HLM CPA Limited had no shareholding interest 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.

Founder Securities Capital, Jones Lang LaSalle Limited, Jones Lang LaSalle Real Estate Services Inc. and HLM CPA Limited have given and have not withdrawn their respective written consent to the issue of this circular with inclusion of their respective letters and/or reports and/or references to their name in the form and context in which they are respectively included.

As at the Latest Practicable Date, Founder Securities Capital, Jones Lang LaSalle Limited, Jones Lang LaSalle Real Estate Services Inc. and HLM CPA Limited were not interested, directly or indirectly, in any assets which had since 31 March 2019 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or lease to any member of the Group.

13. MISCELLANEOUS

- (i) The registered office of the Company is 26th Floor, Tern Centre, Tower I, 237 Queen's Road Central, Hong Kong.
- (ii) The registered office of Noranger is 26th Floor, Tern Centre, Tower I, 237 Queen's Road Central, Hong Kong.
- (iii) The registered office of Smartprint is Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway Road Town, Tortola, British Virgin Islands VG1110.

- (iv) The registered office of Evergrade is 26th Floor, Tern Centre, Tower I, 237 Queen's Road Central, Hong Kong.
- (v) The address of Mr. Chan, Mr. Andrew Chan, Ms. Emily Chan and Ms. Mary-ellen Chan is 26th Floor, Tern Centre, Tower I, 237 Queen's Road Central, Hong Kong.
- (vi) The registered office of Essence Corporate Finance (Hong Kong) Limited is at 39/F., One Exchange Square, Central, Hong Kong.
- (vii) The registered office of Founder Securities Capital is at Room 1710-1719, Jardine House, 1 Connaught Place, Central, Hong Kong.
- (viii) The registered office of Jones Lang LaSalle Limited is at 7th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.
- (ix) The registered office of Jones Lang LaSalle Real Estate Services Inc. is at Bay Adelaide East, 22 Adelaide St. West, Suite 2600 Toronto, ON M5H 4E3, Canada.
- (x) The registered office of HLM CPA Limited is at Room 1501-8, 15th Floor, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong.
- (xi) The share registrar and transfer office of the Company is Computershare Hong Kong Investor at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (xii) The secretary of the Company is Ms. Lee Ka Man. Ms. Lee is an associate member of both The Institute of Chartered Secretaries & Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.
- (xiii) In the event of inconsistency, the English texts of this circular, the notice of the EGM and the accompanying the form of proxy shall prevail over the Chinese texts.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the SFC at <http://www.sfc.hk>; (ii) on the website of the Company at <http://www.tern.hk>; (iii) (during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and gazette public holidays in Hong Kong) at the principal office of the Company at 26th Floor, Tern Centre, Tower I, 237 Queen's Road Central, Hong Kong, from the date of this circular up to and including the date of the EGM:

- (a) the articles of association of the Company;
- (b) the annual report of the Company for the year ended 31 March 2018 and the 2019 Annual Results Announcement;
- (c) the letter from the Board as set out on pages 6 to 22 of this circular;

- (d) the letter from the Independent Board Committee to the Independent Shareholders as set out on pages 23 to 24 of this circular;
- (e) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 25 to 55 of this circular;
- (f) the report from HLM CPA Limited on the unaudited pro forma financial information of the Group as set out in Appendix II to this circular;
- (g) the valuation report (including the valuation certificates) prepared by Jones Lang LaSalle Limited as set out in Appendix III to this circular;
- (h) the valuation report (including the valuation certificate) prepared by Jones Lang LaSalle Real Estate Services Inc. as set out in Appendix III to this circular;
- (i) the Deed of Undertaking;
- (j) the letter of extension dated 13 June 2019 executed by the Covenantors and the Company to extend the Long Stop Date from 2 July 2019 to 30 August 2019; and
- (k) the written consents referred to under the paragraph headed “12. Experts and consents” in this appendix.

THIS SHARE PURCHASE AGREEMENT, dated as of [●] 2019, is entered into by and **BETWEEN**:

- (1) **Tern Properties Company Limited**, a company incorporated in Hong Kong with limited liability whose registered address is 26th Floor, Tern Centre, Tower I, 237 Queen's Road Central, Hong Kong (the "**Company**");
- (2) **Grand Fort Investments Limited**, a company incorporated in the British Virgin Islands whose registered address is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands ("**Grand Fort**");
- (3) **Chim Pui Chung** (Hong Kong Identity Card No. A477560(3)) of Room 1705, 17/F, Tower II, Admiralty Centre, 18 Harcourt Road, Hong Kong ("**Mr. Chim**"); and
- (4) **Law Fei Shing** (Hong Kong Identity Card No. C333100(6)) of Room 1321, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong ("**Mr. Law**", together with Mr. Chim, the "**Guarantor(s)**").

WHEREAS:

- (A) Grand Fort is the legal and beneficial owner of 61,051,277 Shares and Grand Fort now desires to sell, and the Company desires to buy back from Grand Fort the Buy-back Shares.
- (B) Grand Fort is owned as to 50% by each of Mr. Law and Mr. Chim.
- (C) The Share Buy-back (defined below) is a connected party transaction and an off-market purchase by the Company of its own shares and therefore requires the Company's members' approval pursuant to the Listing Rules, the Companies Ordinance and the Share Buy-backs Code.
- (D) The Independent Shareholders have on [date] 2019 approved this Agreement and the transactions contemplated hereunder in accordance with the relevant requirements under the Companies Ordinance, the Listing Rules and the Share Buy-backs Code.

NOW, THEREFORE, the parties agree as follows:

1. INTERPRETATION

1.1 Definitions

Unless the terms or context of this Agreement otherwise provide, the following terms shall have the meanings set out below:

“ Agreement ”	means this share purchase agreement (as may be amended or varied from time to time);
“ Business Day ”	means a day (excluding Saturdays, Sundays and public holidays and a day on which typhoon signal no. 8 or a black rainstorm warning is hoisted at any time in Hong Kong) on which banks are generally open for business in Hong Kong;
“ Buy-back Shares ”	means 30,525,639 Shares to be acquired by the Company from Grand Fort pursuant to the terms and conditions of this Agreement;
“ Companies Ordinance ”	means the Companies Ordinance (Cap 622 of the Laws of Hong Kong);
“ Completion ”	means completion of the transfer of the Buy-back Shares in accordance with this Agreement;
“ Completion Date ”	means the 5th Business Day after the Conditions having been fulfilled or waived or such other date as the parties may agree in writing;
“ Condition(s) ”	have the meaning given to them in Clause 3.1;
“ Encumbrance ”	means a mortgage, pledge, lien, option, restriction, right of pre-emption, third party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect;
“ Grand Fort Warranties ”	means the warranties, representations and undertakings given by Grand Fort in Clause 7.2;

“Guarantee”	has the meaning ascribed to it in Clause 7.4;
“Hong Kong”	means Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong Stock Exchange”	means the Stock Exchange of Hong Kong Limited;
“Independent Shareholder(s)”	means shareholder(s) of the Company who are not required to abstain from voting under the Listing Rules and the Share Buy-backs Code;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“Long Stop Date”	means expiry of two months from the date of this Agreement or such later date as agreed by the parties in writing;
“Person”	means any natural or legal person, including without limitation any individual, limited liability company, corporation, partnership, association, joint-stock company, trust, unincorporated organization, governmental entity or other entity of a similar nature;
“Purchase Price”	has the meaning given in Clause 2.2;
“Representatives”	means, as to any Person, its affiliates and its and its affiliates’ directors, officers, employees, agents and advisors (including without limitation, financial advisors, attorneys, accountants and their respective Representatives);
“Sale Shares”	means 30,525,638 Shares to be acquired by Smartprint Development Limited from Grand Fort pursuant to the terms and conditions of the SPA;
“Shares”	means the shares of the Company;

“Share Buy-back”	means the proposed share buy-back by the Company of the Buy-back Shares from Grand Fort pursuant to the terms of this Agreement;
“Share Buy-backs Code”	means the Hong Kong Code on Share Buy-backs;
“SFC”	means the Hong Kong Securities and Futures Commission;
“SPA”	means the share purchase agreement dated 26 April 2019 entered into between Grand Fort and Smartprint Development Limited in relation to the sale and purchase of the Sale Shares; and
“Tax”	means any form of taxation, levy, duty, charge, contribution, or withholding of whatever nature (including any related fine, penalty, surcharge or interest) imposed, collected or assessed by, or payable to, any national, provincial, municipal or local government or other authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function.

1.2 Words and phrases defined in the Companies Ordinance shall have the same meanings in this Agreement unless they are otherwise defined in this Agreement or unless the context or subject matter otherwise requires.

1.3 In this Agreement (which shall include its Schedules):

- (a) the masculine gender shall include the feminine and neuter and the singular number shall include the plural and vice versa;
- (b) the headings are inserted for convenience only and shall not affect the construction of this Agreement;
- (c) any reference to clauses and schedule is a reference to the clauses and schedule to, this Agreement;
- (d) any reference to a law means that law (and any subsidiary provisions) as from time to time in force; and
- (e) a reference to a date or time is a reference to that date or time in Hong Kong, unless the context otherwise requires.

2. SALE AND PURCHASE OF BUY-BACK SHARES

- 2.1 Upon the terms and subject to the conditions of this Agreement, Grand Fort as the legal and beneficial owner of the Buy-back Shares agrees to sell, and the Company agrees to buy, the Buy-back Shares and each right attaching to the Buy-back Shares, free of any Encumbrance. The Company shall not be obliged to complete the purchase of any of the Buy-back unless the sale and purchase of all of the Buy-back and the sale and purchase of all of the Sales Shares contemplated under the SPA are completed simultaneously.
- 2.2 Grand Fort shall sell and the Company shall buy the Buy-back Shares at a price of HK\$5.1 per Buy-back Share, representing a total consideration for the Buy-back Shares of HK\$155,680,758.9, which shall be paid to Grand Fort at Completion in accordance with the provisions of the Schedule (the “**Purchase Price**”).

3. CONDITIONS

- 3.1 Completion shall be conditional upon the following conditions (the “**Condition(s)**”) having been satisfied or waived on or before 5:00 p.m. on the Long Stop Date (except for (c) which shall be satisfied upon Completion):
- (a) the Company having sufficient reserves to effect the Share Buy-back in compliance with the relevant law and regulations;
 - (b) the Grand Fort Warranties remaining true, accurate and not misleading in all respects; and
 - (c) the conditions precedent under the SPA having been fulfilled or waived (as the case may be) (save for the condition requiring this Agreement to become unconditional).
- 3.2 The Company may, at its absolute discretion, waive Conditions 3.1(b) and (c).
- 3.3 Grand Fort and the Guarantors undertake to provide to the Company all such information and documents as may be required by the Company to comply with the requirements under the Listing Rules, the Companies Ordinance and the Share Buy-backs Code and such other requirements or enquiries by the Hong Kong Stock Exchange, the SFC or any other regulatory authority.

4. COMPLETION

- 4.1 Subject to the satisfaction or, where applicable, waiver of the Conditions, Completion shall take place simultaneously with completion of the SPA on the Completion Date or at such other time as may be agreed between the parties.

- 4.2 At Completion, Grand Fort and the Company shall deliver and/or perform (or procure the delivery and/or performance) of all those documents, items and actions respectively listed in relation to that party in the Schedule.
- 4.3 Completion shall only occur if all documents, items and actions listed in the Schedule have been delivered or performed as required by the Schedule by each such party.
- 4.4 If Completion does not take place on the Completion Date because a party fails to comply with any of its obligations under this Clause 4 and the Schedule (whether such failure amounts to a repudiatory breach or not), without prejudice to any rights they may have, the non-defaulting parties may by notice to the defaulting party:
- 4.4.1 proceed to Completion to the extent reasonably practicable;
- 4.4.2 postpone Completion to a date not more than 5 Business Days after the original Completion Date (provided that such date is no later than the Long Stop Date); or
- 4.4.3 terminate this Agreement.
- 4.5 If Completion is postponed to another date in accordance with Clause 4.4.2, the provisions of this Agreement apply as if that other date is the Completion Date.

5. TERMINATION

- 5.1 If any of the Conditions is not satisfied (or, where applicable, be waived) on or before 5:00 p.m. on the Long Stop Date, this Agreement shall cease and determine.
- 5.2 If a party commits any material breach of this Agreement, this Agreement may be terminated by the other party by giving written notice to the first-mentioned party.
- 5.3 Each party's rights and obligations shall cease immediately on termination, but termination does not affect a party's accrued rights and obligations at the date of termination or any liability arising before or in relation to such termination. Notwithstanding the foregoing, the provisions of Clauses 8 through 17 of this Agreement shall survive termination of this Agreement for any reason.

6. STAMP DUTY, TAXES AND FEES

- 6.1 Except as set out in Clause 6.2, each party shall be responsible for its own costs, expenses and Tax liabilities arising from the transfer of the Buy-back Shares under this Agreement, including but not limited to, the negotiation, preparation, execution and carrying into effect of this Agreement.
- 6.2 Any stamp duty payable on the transfer of the Buy-back Shares shall be borne by Grand Fort and the Company in equal shares.

7. WARRANTIES AND UNDERTAKINGS

7.1 The Company warrants to Grand Fort that as at the date of this Agreement and as at the Completion Date:

7.1.1 it is duly organised and has the right, power and authority, and has taken all action necessary, to execute, deliver and exercise its rights, and perform its obligations, under this Agreement and each document to be executed by the parties at or before Completion;

7.1.2 its obligations under this Agreement and each document to be executed by the parties at or before Completion are, or when the relevant document is executed will be, enforceable in accordance with their respective terms; and

7.1.3 it is not in receivership or liquidation and it has not taken steps to enter into liquidation; no petition has been presented for its winding up and there are no grounds on which a petition or application could be based for the appointment of a receiver for its or its winding up of.

7.2 Each of Grand Fort and the Guarantors hereby warrants to the Company that as at the date of this Agreement and as at the Completion Date:

7.2.1 Grand Fort is duly organised and has the right, power and authority, and has taken all action necessary, to execute, deliver and exercise its rights, and perform its obligations, under this Agreement and each document to be executed by the parties at or before Completion;

7.2.2 each of the Guarantors have the right, power and authority, and has taken all actions necessary, to execute, deliver and exercise his rights, and perform his obligations, under this Agreement and each document to be executed by the parties at or before Completion;

7.2.3 its or his obligations under this Agreement and each document to be executed by the parties at or before Completion are, or when the relevant document is executed will be, enforceable in accordance with their respective terms;

7.2.4 each of Grand Fort and the Guarantors is not bankrupt, in receivership or liquidation and has not taken steps to enter into liquidation; no petition has been presented for Grand Fort's winding up and there are no grounds on which a petition or application could be based for the appointment of a receiver for its or its winding up of;

7.2.5 Grand Fort is the legal and beneficial owner of the Buy-back Shares and has all rights, title and interest therein, which Buy-back Shares shall be sold to the Company with all rights attached thereto, and free and clear of all Encumbrances;

- 7.2.6 the Buy-back Shares are fully paid and there is no outstanding call on any of the Buy-back Shares;
- 7.2.7 none of Grand Fort or the Guarantors have any interest in any Shares or convertible securities other than the Buy-back Shares and the Sale Shares; and
- 7.2.8 other than pursuant to this Agreement and the SPA, no person has any agreement or operation, or right or privilege (whether pre-emptive or contractual, actual or contingent) capable of becoming an agreement or option, for the purchase from Grand Fort of any Buy-back Shares or any Sale Shares or to require the transfer, redemption or buy-back of any Buy-back Shares or any Sale Shares.
- 7.3 Other than for the purpose of the Share Buy-back and transfer of Sale Shares under the SPA, Grand Fort shall not and the Guarantors shall procure Grand Fort shall not, sell, transfer, charge, encumber, create or grant any option or lien over or otherwise dispose of or deal in or create any Encumbrance over any interest in the Buy-back Shares.
- 7.4 In consideration of the Company entering into this Agreement with Grand Fort, the Guarantors hereby irrevocably and unconditionally, as primary obligors, undertake and guarantee (collectively the “**Guarantee**”) the full, prompt, complete and due performance by Grand Fort of all and any of its obligations under this Agreement (for the purposes of this Clause 7.4, including (a) all such further documents to be executed by Grand Fort that are necessary, appropriate, desirable or expedient to give effect to or in connection with this Agreement; and (b) all documents and transactions contemplated under this Agreement and such further documents mentioned in the preceding paragraph (a)) and the due and punctual payment of all sums now or subsequently payable by Grand Fort to the Company under this Agreement when the same shall become due; and undertakes to the Company that if Grand Fort defaults in the payment of any sum under this Agreement, then any of the Guarantors will forthwith on demand by the Company pay such sum to the Company.
- 7.5 Without prejudice to the Guarantee, as between the Guarantors and the Company but without affecting Grand Fort’s obligations hereunder or otherwise, the Guarantors shall be liable under Clauses 7.4, 7.5, 7.6 and 7.7 as if they were the sole principal debtors and not merely as surety. Accordingly, the obligations of the Guarantors shall not be affected by any act, omission, neglect, default, event, matter or thing whether or not known to the Guarantors, which, but for this provision, might operate to release or otherwise exonerate the Guarantors from their obligations or affect such obligations.

7.6 The Guarantee is a continuing guarantee and shall remain in full force and effect unless and until:

- (a) all the obligations of Grand Fort under this Agreement have been fully, promptly and completely performed and all sums now or subsequently payable by Grand Fort to the Company have been fully and punctually paid; and
- (b) no further obligations of Grand Fort may arise under this Agreement and no further liabilities (whether known, actual or contingent) of Grand Fort may arise under this Agreement.

7.7 All payments under the Guarantee shall be made free and clear of any restrictions, counterclaims, set-off, deductions or withholdings (except to the extent required by law) on account of any tax or expenses charged, imposed, levied, collected, withheld or assessed by any person.

8. FURTHER ASSURANCE

Each party shall, from Completion, co-operate with the other and execute and deliver to the other such other instruments and documents and take such other actions as may reasonably be requested from time to time in order to carry out, evidence and confirm their rights and the intended purpose of this Agreement.

9. AMENDMENT AND WAIVER

9.1 An amendment of this Agreement is valid only if it is in writing and signed by or on behalf of each party.

9.2 The failure to exercise or delay in exercising a right or remedy provided by this Agreement or by law does not impair or constitute a waiver of the right or remedy or an impairment of or a waiver of other rights or remedies. No single or partial exercise of a right or remedy provided by this Agreement or by law prevents further exercise of the right or remedy or the exercise of another right or remedy.

10. ASSIGNMENT

Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either of the parties hereto without the prior written consent of the other party.

11. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

12. NOTICES

Notice, claim or demand in connection with this Agreement shall be in writing in English and shall be sufficiently given or served if delivered or sent:

12.1 in the case of Grand Fort to:

Address : Room 1321, Leighton Centre, 77 Leighton Road, Causeway Bay,
Hong Kong
Facsimile : 2535 8887
Email address : fslaw@fslaw.com.hk
Attention : The board of directors

12.2 in the case of the Company to:

Address : 26th Floor, Tern Centre, Tower I, 237 Queen's Road Central,
Hong Kong
Facsimile : 2543 0321
Email address : thomas@tern.hk
Attention : The board of directors

12.3 in the case of Mr. Chim to:

Address : Room 1705, 17/F, Tower II, Admiralty Centre, 18 Harcourt
Road, Hong Kong
Facsimile : 2973 0242
Email address : puichim@netvigator.com
Attention : Mr. Chim

12.4 in the case of Mr. Law to:

Address : Room 1321, Leighton Centre, 77 Leighton Road, Causeway Bay,
Hong Kong
Facsimile : 2535 8887
Email address : fslaw@fslaw.com.hk
Attention : Mr. Law

or in any case to such other address or fax number as a party may have notified the other party in accordance with this Clause 12. Any notice may be delivered by hand or sent by fax with confirmation receipt or by electronic mail with delivery receipt followed by registered mail posted within twenty-four (24) hours, or by overnight courier. Without prejudice to the foregoing, any notice shall be deemed to have been received (a) on the next Business Day in the place to which it is sent, if sent by fax or electronic mail, or (b) two (2) Business Days from the time of posting, if sent by overnight courier, or (c) at the time of delivery, if delivered by hand.

13. COUNTERPARTS

This Agreement may be entered into in any number of counterparts, all of which taken together shall constitute one and the same instrument. Either party may enter into this Agreement by executing any such counterpart.

14. GOVERNING LAW AND DISPUTE RESOLUTION

14.1 This Agreement and any dispute arising out of, relating to or in connection with this Agreement shall be governed by and construed in accordance with the laws of Hong Kong.

14.2 Each of the parties hereto submits to the exclusive jurisdiction of the courts of Hong Kong in any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of, or in connection with, this Agreement or the transactions contemplated hereby. Each party hereto waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

14.3 Grand Fort hereby irrevocably appoints Mr. Law of Room 1321, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong to receive, for it and on its behalf, service of process in any proceedings. Grand Fort agrees that any such legal process shall be sufficiently served on it if delivered to Mr. Law at his address specified in this Clause or at its registered office for the time being in Hong Kong. If for any reason any party's process agent is unable to act as such, such party shall promptly notify the other party or parties and forthwith appoint a substitute process agent acceptable to the other party or parties. Without affecting the right of any party to serve process in any other way permitted by law, the parties irrevocably consent to service of process given in the manner provided for notices in Clause 14.

15. CONFIDENTIALITY

Without the prior written consent of the other party, Grand Fort, the Guarantors and the Company shall not, and shall cause their respective Representatives not to, disclose this Agreement and its terms to any Person, other than to its Representatives who are actively and directly participating in its evaluation of the transaction contemplated hereby and are bound by obligations of confidentiality. Notwithstanding the foregoing, any party shall be permitted to furnish copies of this Agreement and to discuss the subject matter of this Agreement to or with any governmental entity as such party may deem appropriate, and to make such disclosures as such party determines in good faith are required under applicable law or regulation or rules of a relevant stock exchange.

16. SEVERABILITY

In the event that any of the provisions of this Agreement shall be held to be invalid, void or unenforceable, the remaining portions hereof shall remain in full force and effect and such provision shall be enforced to the maximum extent possible as so to effect the intent of the parties, and shall in no way be affected, impaired or invalidated.

17. THIRD PARTY RIGHTS

A Person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Ordinance (Cap 623 of the Laws of Hong Kong) to enforce any term of this Agreement but this does not affect any right or remedy of a third party which exists or is available apart from that Ordinance.

IN WITNESS HEREOF, the parties have duly executed this Agreement as of the date first written above.

SIGNED by **CHAN HOI SOW**)
for and on behalf of)
TERN PROPERTIES COMPANY LIMITED)

SIGNED by **LAW FEI SHING**)
for and on behalf of)
GRAND FORT INVESTMENTS LIMITED)

SIGNED, SEALED AND DELIVERED by)
CHIM PUI CHUNG)

SIGNED, SEALED AND DELIVERED by)
LAW FEI SHING)

**SCHEDULE
COMPLETION PROCEDURE**

On the Completion Date:

1. Grand Fort shall deliver to the Company:
 - (a) certified copy of the board of directors of Grand Fort authorising the execution and completion of this Agreement and the transactions contemplated under this Agreement;
 - (b) duly executed instrument of transfer and sold notes (as the transferor and the registered holder of the Buy-back Shares) in respect of the Buy-back Shares;
 - (c) the share certificate(s) relating to the Buy-back Shares in the name of Grand Fort;
 - (d) a cheque for the amount of Grand Fort's share of the stamp duty in favour of the Government of Hong Kong;
2. Subject to Grand Fort satisfying its obligations under paragraph 1 above, the Company shall pay or procure the payment of, the Purchase Price by cashier's order or in such other manner as Grand Fort and the Company may agree in writing.

IN WITNESS whereof the parties hereto have caused this Deed to be duly executed on the day and year first above written.

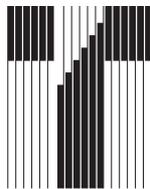
SEALED with the **Common Seal** of)
GRAND FORT INVESTMENTS LIMITED)
and signed by **LAW FEI SHING**)
in the presence of:)

SIGNED, SEALED and **DELIVERED** by)
CHIM PUI CHUNG)
in the presence of:)

SIGNED, SEALED and **DELIVERED** by)
LAW FEI SHING)
in the presence of:)

SIGNED by **CHAN HOI SOW**)
for and on behalf of)
TERN PROPERTIES COMPANY LIMITED)
in the presence of:)

NOTICE OF EGM



TERN PROPERTIES COMPANY LIMITED

太興置業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 277)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Tern Properties Company (the “**Company**”) (the “**EGM**”) will be held at 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 30 July 2019 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution.

SPECIAL RESOLUTION

“THAT:

- (a) the terms of the agreed form of the share buy-back agreement (the “**Share Buy-back Agreement**”) (a copy of which is tabled at the EGM and marked “A” and initialled by the chairman of the EGM for identification purposes) proposed to be entered into between the Company, Grand Fort Investments Limited (“**Grand Fort**”), Mr. Chim Pui Chung and Mr. Law Fei Shing, pursuant to which Grand Fort will transfer to the Company 30,525,639 shares of the Company on terms contained therein at a consideration of HK\$155,680,758.90, be and are hereby approved;
- (b) the transactions contemplated under the Share Buy-back Agreement be and are hereby approved; and
- (c) the directors of the Company (or a duly authorised person hereof) be and are hereby authorised to take all such steps to implement and give effect to the Share Buy-back Agreement and the transactions thereunder (including the execution of all documents or deeds as they may consider necessary or appropriate in relation thereto and the making of any changes, modifications, amendments, waivers, variations or extensions of such terms and conditions as they think fit).”

By order of the Board of
Tern Properties Company Limited
Chan Hoi Sow
Chairman

Hong Kong, 28 June 2019

NOTICE OF EGM

Notes:

1. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend, speak and vote in his stead. A proxy need not be a shareholder of the Company.
2. The register of members of the Company will be closed from Thursday, 25 July 2019 to Tuesday, 30 July 2019 (both dates inclusive) for determining the entitlements to attend the EGM. No transfer of Shares will be registered during this period. Shareholders are reminded that, in order to qualify for attendance of the EGM, all transfers accompanied by the certificates for the relevant Shares 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, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 24 July 2019.
3. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be deposited at the Company at 26th Floor, Tern Centre, Tower I, 237 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the EGM or adjourned meeting.
4. Completion and return of the form of proxy shall not preclude a shareholder from attending and voting in person at the EGM or at any adjournment thereof if the shareholder so wishes.
5. The resolution set out in the notice will be taken by way of poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the results will be published on the website of The Stock Exchange of Hong Kong Limited and the Company in accordance with the Listing Rules.