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NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

**MAJOR TRANSACTION
DISPOSAL OF PROPERTY**

10 April 2019

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DEFINITIONS

In this circular and the appendices to it, unless the context otherwise requires, the following terms and expressions have the following meanings:

“Adjustments”	has the meaning as defined in the paragraph headed “Adjustments to the balance of the Consideration” in the “Letter from the Board” section herein
“AIMCo”	AIMCo Realty Investors LP, a corporation registered in provinces of Manitoba, Ontario, British Columbia, Alberta and Quebec, Canada
“Americus Holdings”	Americus Holdings Limited, which held 250,813,276 Shares as at the Latest Practicable Date
“Announcement”	the announcement of the Company dated 6 March 2019 in relation to the Disposal
“Board”	the board of Directors
“Building B”	one of the two buildings to be constructed on the Property
“Building C”	one of the two buildings to be constructed on the Property
“Building D and E Lands”	the lands shown crossed hatched on the schedule to the SPA and identified as “Building D and E Lands”
“Business Day”	any day other than Saturday, Sunday or a statutory holiday in Ontario or Alberta, Canada
“CAD”	Canadian Dollars, the lawful currency of Canada
“close associates”	has the meaning as ascribed to it under the Listing Rules
“Closing”	the completion of the Disposal in accordance with the terms of the SPA
“Closing Date”	30 days following the date the PA Certificate has been obtained. Notwithstanding the foregoing, in no event the Closing Date be later than 30 days following the Final Date
“Company”	National Electronics Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Consideration”	the consideration of CAD107,000,000, being the purchase price for the Property payable by the Purchasers to the Vendor in respect of the Disposal in cash
“Deposit”	collectively, the Initial Deposit and the Further Deposit

DEFINITIONS

“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Property by the Vendor to the Purchasers pursuant to the terms and conditions of the SPA
“Fenmore Investments”	Fenmore Investments Limited, which held 265,701,618 Shares as at the Latest Practicable Date
“Final Date”	12 months following the date of execution of the SPA as such date may be extended under the SPA
“Fitzrovia”	Fitzrovia Acquisitions Inc., a corporation registered in the province of Ontario, Canada
“Further Deposit”	has the meaning as defined in the paragraph headed “Consideration and payment terms” in the “Letter from the Board” section herein
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Initial Deposit”	has the meaning as defined in the paragraph headed “Consideration and payment terms” in the “Letter from the Board” section herein
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Latest Practicable Date”	4 April 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PA Certificate”	a certificate of PA Consent under section 53(21) of the Planning Act, Ontario, Canada

DEFINITIONS

“PA Consent”	a consent under section 53 of the Planning Act, Ontario, Canada, severing the Property from the Building D and E Lands, that has the result of permitting the Property to be conveyed to the Purchasers separately from the Phase I Lands and the Building D and E Lands in accordance with the SPA in compliance with the subdivision control provisions of the Planning Act, including without limitation all benefitting and burdening easements described in the site related agreements
“Phase I Lands”	Lots 1 to 8 inclusive, Plan 73E, part Lots 9 and 10 W/S Mutual Street and Lots 10, 11 and 12 and part of Lots 8 and 9 E/S of Dalhousie Street Plan 22A, designated as Parts 1, 2, 3, 5, 6, 7, 8, 9 and 11 on Reference Plan 66R-29665
“Property”	a portion of lands and premises legally described as Part of Lots 1, 2, 3, 6, 7 and Part of Lots 8 and 9, east side of Dalhousie Street, Plan 22A; Part of Lots 1, 2, 3, 4, 5 and 6 and allowance for lane, Plan D-26 and Part of Lots 1, 2, 3, 6, 7 and 8 and Part of Lot 9, west side of Mutual Street, Plan 22A, designated as part of Parts 4 and 10 on Plan 66R-29665; confirmed by BA1092 registered as CT257819; City of Toronto, Canada, being part of PIN 21098-0275(LT), which comprise Building B and Building C as further detailed in the paragraph headed “Property to be disposed of under the SPA” in the “Letter from the Board” section herein
“Purchasers”	collectively Fitzrovia and AIMCo
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SPA”	the agreement of purchase and sale dated 6 March 2019 entered into between the Vendor and the Purchasers in respect of the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed to it under the Listing Rules

DEFINITIONS

“Termination Notice”	a written notice which the impacted party may serve to the other party to the SPA to terminate the SPA on or before the expiry of a five Business Day period from the date of receipt of the PA Consent, in the event that the PA Consent contains a condition (i) that the Vendor’s cost to satisfy is not commercially reasonable or customary for a transaction of this nature; (ii) that materially and adversely affect the Building D and E Lands; and/or (iii) that will materially and adversely affect the Property following Closing
“Vendor”	Queen Developments Inc., a company incorporated in Canada with limited liability, and a wholly-owned subsidiary of the Company
“%”	per cent

LETTER FROM THE BOARD

NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

Executive Directors:

Mr. Jimmy Lee Yuen Ching (*Chairman*)
Mr. Loewe Lee Bon Chi (*Managing Director*)
Mr. James Lee Yuen Kui (*Managing Director*)
Mr. Edward Lee Yuen Cheor
Mr. Ricky Wai Kwong Yuen

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Non-executive Director:

Ms. Dorathy Lee Yuen Yu

Principal Place of Business in Hong Kong:

Suite 3201, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Independent Non-executive Directors:

Dr. Samson Sun, M.B.E., J.P.
Mr. William Chan Chak Cheung
Mr. Chan Kwok Wai

10 April 2019

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION DISPOSAL OF PROPERTY

INTRODUCTION

Reference is made to the Announcement.

On 6 March 2019, the Vendor (a wholly-owned subsidiary of the Company) and the Purchasers entered into the SPA, pursuant to which the Vendor has agreed to sell and the Purchasers have agreed to purchase the Property at a consideration of CAD107,000,000 (exclusive of harmonized sales tax and subject to Adjustments) in cash.

As the highest applicable percentage ratio (as defined in the Listing Rules) for the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, written approval for the Disposal had been obtained from a closely allied group of Shareholders which held 516,514,894 Shares in total (representing approximately 50.67% of the issued share capital of the Company) as at the date of the Announcement. Accordingly, no general meeting of the Company will be convened to approve the SPA and the Disposal.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information on the SPA and the Disposal for information purposes only.

THE SPA

The principal terms of the SPA are summarised as follows:

Date

6 March 2019 (after trading hours)

Parties

- (1) Vendor : Queen Developments Inc.
- (2) Purchasers : (a) Fitzrovia; and
(b) AIMCo.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the Purchasers and its ultimate shareholder(s) are third parties independent of and not connected with the Company and its connected persons.

Property to be disposed of under the SPA

The Property is a portion of lands and premises located at 88 Queen Street East, Toronto, Canada, which comprises Building B and Building C, and which will comprise approved above grade gross floor area of approximately 47,440 square metres, and below grade carparks. The Property is a residential / commercial property.

The Vendor is the sole registered owner of the Property. The Property comprises of a building lot for redevelopment which is currently leased for rental income. The revenue of the Property for the year ended 31 March 2017 and 31 March 2018 were approximately CAD518,000 and CAD371,000 respectively. The net profit of the Property for the year ended 31 March 2017 and 31 March 2018 were approximately CAD518,000 and CAD260,000 respectively.

Consideration and payment terms

The Consideration for the Disposal is CAD107,000,000 (exclusive of harmonized sales tax), which shall be payable by the Purchasers to the Vendor in cash by wire transfer on Closing, subject to the Adjustments, in the following manners:

- (a) an initial deposit (the “**Initial Deposit**”) in the sum of CAD7,000,000 which has been paid by the Purchasers to the Vendor’s solicitors, in trust, in accordance with the terms of the SPA;

LETTER FROM THE BOARD

- (b) a further deposit (the “**Further Deposit**”) in the sum of CAD3,000,000 is payable to the Vendor’s solicitors by wire transfer, bank draft or certified cheque, in trust, within three Business Days after the date of execution of the SPA, to be held in accordance with the terms of the SPA; and
- (c) the balance of the Consideration of CAD97,000,000, subject to the Adjustments, by wire transfer on the Closing Date.

The Deposit (together with all interest earned thereon) shall be returned immediately to the Purchasers if Closing does not take place by the Closing Date, other than by virtue of any default of the Purchasers under the SPA.

The Consideration was determined after arm’s length negotiations between the Vendor and the Purchasers with reference to, among other things, the value of the Property and the Directors consider that the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Adjustments to the balance of the Consideration

The balance of the Consideration shall be adjusted on Closing all items of income and expense relating to the Property and usual in transactions of this nature established by the usual practice in Southern Ontario for the purchase and sale of development property including, without limitation, the following items (collectively, the “**Adjustments**”):

- (a) realty taxes and local improvement rates and charges; and
- (b) all other items reasonably capable and, subject to the provisions of the SPA, normally the subject of adjustment in connection with the ownership and operation of the Property in a similar transaction.

The Adjustments shall be made as of Closing on an accrual basis.

Based on the assumption that the transaction will be completed by the end of August 2019 and the realty taxes are paid by the Vendor for the whole year, the total amount of estimated realty taxes (inclusive of commercial tax, education tax and City Building Fund) to be added as Adjustments to the balance of the Consideration as of Closing is approximately CAD186,000. The total prescribed rate for realty taxes is approximately 1.54%. Save for such realty taxes, the Company does not expect any other Adjustments of a material nature or that would have a significant impact on the Disposal.

Conditions

Closing is conditional upon the following conditions being satisfied (or waived by the parties to the SPA) on or the date specified therefor:

- (a) on or before the Final Date, the PA Consent has been obtained in final form, the PA Certificate has been obtained, and a Termination Notice has not been delivered;

LETTER FROM THE BOARD

- (b) on the Closing Date, the representations and warranties set forth in the SPA shall be true and correct in all material respects with the same effect as if made on Closing and each of the parties to the SPA shall have delivered a certificate to this effect; and
- (c) on Closing, all of the terms, covenants and conditions of the SPA to be complied with or performed by the parties to the SPA shall have been complied with in all material respects, unless otherwise varied, waived or otherwise provided for by the other parties to the SPA.

If a condition set out above is not satisfied or waived in accordance with the SPA: (i) then the SPA shall be terminated and null and void without prejudice to the right of any party to pursue remedies against the other relating to any breach of the SPA by the other party which resulted in the non-satisfaction of such conditions; and (ii) other than as a result of a default by the Purchasers under the SPA (in which event the Deposit and all accrued interest shall forthwith be paid to the Vendor), the Deposit and all interest accrued thereon shall be immediately returned to the Purchasers.

Closing of the SPA is also conditional upon approval by the Shareholders for the Disposal in accordance with the Listing Rules and other applicable laws and regulations.

As at the date of the Announcement, the Company had obtained the written shareholders' approval from Americus Holdings and Fenmore Investments, who collectively hold approximately 50.67% of the issued share capital of the Company as at the date of the Announcement, details of which are set out in the paragraph headed "Listing Rules Implications" of this section herein.

Closing

Subject to the satisfaction (or waiver, if applicable) of the conditions set out above, Closing shall take place on the Closing Date.

Upon Closing, the Vendor shall deliver vacant possession of the Property to the Purchasers.

There is no cost or compensation associated with delivery of the vacant possession of the Property. The current lease term is one year from 5 July 2018 to 4 July 2019, which can be terminated by the owner by providing a 60 days' notice to the tenant. If Closing does not occur before the expiry of the current lease and the lease is renewed, the renewed lease will also be terminable by the owner with 60 days' notice to the tenant.

Post Closing

After Closing, the Purchasers will own the Property, whilst the Vendor will continue to own and hold Phase I Lands and the Building D and E Lands, which are adjacent to the Property. The Vendor and the Purchasers will cooperate with each other to ensure that the construction in the Phase I Lands, the Building D and E Lands and the Property will comply with the applicable legal requirements, including zoning, amenity and car parking space requirements under site specific City of Toronto By-law 1293-2018, and allocate responsibilities on the development, operations, management and costs of the easements, driveway and common areas of the Phase I Lands, the Building D and E Lands and the Property. Such cooperation agreement is to allow a clear delineation of responsibilities

LETTER FROM THE BOARD

between the Vendor and the Purchasers. These construction and development on the Phase I Lands and the Building D and E Lands have to be completed by the Group regardless of the Disposal. There are no additional costs associated with such cooperation arrangement after Closing. In light of the above, the Company considers that such cooperation agreement is fair and reasonable and in the interest of the Company and its shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

The net book value of the Property as at the date of the unaudited management accounts of the Group as at 28 February 2019 amounted to approximately CAD56,700,000. Other than the rental income, there are no net profits attributable to the Property. Based on the Consideration of CAD107,000,000, the Group is expected to recognize a gain (net of related costs) of approximately CAD34,300,000 from the Disposal which is subject to the review and final audit by the auditors of the Company. The net assets of the Group will be increased by the estimated gain of approximately CAD34,300,000. As a result of the Disposal, the Group will no longer receive any rental income from leasing of the Property.

The Company intends to use the net proceeds from the Disposal for general working capital of the Group.

REASONS FOR AND BENEFITS DERIVED FROM THE DISPOSAL

Having regard to the prevailing market conditions, the Directors consider that the Disposal provides a good opportunity to realise its investment and enhance the liquidity of the Group.

The Directors consider that the Disposal and the transaction contemplated thereunder are on normal commercial terms and that such terms are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE COMPANY, THE PURCHASERS AND THE VENDOR

Information of the Company

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture, assembly and sale of electronic watches and watch parts, trading of watch movements and watch parts, property development and investment and hotel operation.

Information of the Vendor

The Vendor is an investment holding company.

Information of the Purchasers

Fitzrovia is an integrated developer and asset manager of class A rental apartments based in Toronto, Canada.

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AIMCo is an asset manager for 9 public sector pension funds, the Alberta Heritage fund as well as some special purpose government funds in Canada.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) for the Disposal exceeds 25% but is less than 75% for the Company, the Disposal constitutes a major transaction for the Company and is subject to the announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company has a closely allied group of shareholders which together hold approximately 50.81% of the total issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 14.44 of the Listing Rules, the Company had obtained a written approval from Americus Holdings which held 250,813,276 Shares (representing approximately 24.60% of the issued share capital of the Company) as at the date of the Announcement, and from Fenmore Investments which held 265,701,618 Shares (representing approximately 26.06% of the issued share capital of the Company) as at the date of the Announcement, for the approval of the SPA and Disposal. The said 250,813,276 Shares held by Americus Holdings and 265,701,618 Shares held by Fenmore Investments are part of the property of two discretionary trusts of which Mr. Jimmy Lee Yuen Ching and his family members and Mr. Loewe Lee Bon Chi's family members are named beneficiaries. Mr. Jimmy Lee Yuen Ching is the father of Mr. Loewe Lee Bon Chi.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the SPA and the Disposal. As such, no Shareholders would be required to abstain from voting under the Listing Rules if the Company were to convene a general meeting for the approval of such matters.

If, despite the said written approval from Americus Holdings and Fenmore Investments having been obtained, voting was required and the Company held a general meeting for the approval of the transactions contemplated under the SPA, the Directors would have recommended that the Shareholders vote in favour of such resolution.

ADDITIONAL INFORMATION

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

As Closing of the Disposal is subject to the fulfillment of the conditions under the SPA, the Disposal may or may not proceed to Closing. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

Yours faithfully,
For and on behalf of the Board
National Electronics Holdings Limited
Lee Yuen Ching, Jimmy
Chairman

1. INDEBTEDNESS OF THE GROUP

As at 28 February 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group had outstanding bank borrowings of approximately HK\$3,849 million (out of which (i) approximately HK\$3,340 million was secured and approximately HK\$509 million was unsecured; and (ii) approximately HK\$3,819 million was guaranteed and approximately HK\$30 million was unguaranteed) representing short and long term loans and trust receipt loans. In addition, the Group had outstanding at that date obligations under hire purchase contracts and finance leases of approximately HK\$18 million and contingent liabilities in respect of guarantees given to third parties of approximately HK\$1,048 million.

Save as aforesaid, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on the Latest Practicable Date any loan capital and/or debt securities issued and outstanding or agreed to be issued or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills, if any) or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

2. WORKING CAPITAL OF THE GROUP

The Directors are of the opinion that, after taking into account the financial resources and banking facilities available to the Group and its internally generated funds and the effect of the SPA, the Group will have sufficient working capital to satisfy its present requirements for at least twelve (12) months from the date of this circular in the absence of unforeseen circumstances.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

After Closing, the Group will continue its existing business plan in the respective segments and the Company will also continue its existing ordinary business.

Watches and watch components

The uncertainties that exist in the market, from the trade war between the United States and the People's Republic of China to the outcome of Brexit and the outlook for interest rates, all create a significant overhang on the world economy. The Group expects the weak demand for consumer products to persist, providing challenging headwinds for the Group's watch manufacturing and watch component trading business.

Hotel operations

The Group will continue to focus its hotel operations on providing best-in-class service. The Group will also look at strengthening the Group's hotel brands locally and internationally.

Property development and investment

The Group has commenced previews of its luxurious residential development at 45 Tai Tam Road, Hong Kong, a joint venture project with BPE Asia Real Estate Fund L.P. and the response has been positive.

For the Group's multi-phased mixed use project 88 Queen Street East in Toronto, Canada, the project consists of three Phases. The Property, which is the subject matter of the Disposal, is Phase II of the project. After Closing, the Purchasers will own the Property, whilst the Vendor will continue to own and hold Phase I Lands (Phase I of the project) and the Building D and E Lands (Phase III of the project). The construction work for Phase I, which has been fully presold, is well underway with first occupancy expected to begin around the end of 2019. The construction for Phase III is at the planning stage.

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from CBRE Limited, an independent valuer, in connection with the valuation of the Property as at March 4, 2019:

CBRE

145 King St. W., Suite 1100
Toronto, ON M5H 1J8

April 10, 2019

88 QUEEN PARTNERSHIP

77 Bloor Street West, Suite 1407
Toronto, ON M5S 1M2

RE: 88 Queen Street East Toronto, Ontario, Canada

Dear Sirs,

Instruction, Purpose & Date of Valuation

We refer to your instructions for us to carry out a market valuation of the above reference property for sale and purchase purposes. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property as at March 4, 2019 (the “**date of valuation**”).

Basis of Valuation

Our valuation of the property represents its market value which in accordance with the standards set forth in the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP) and the International Valuation Standards published from time to time by the International Valuation Standards Council.

Valuation Assumptions

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale, and leaseback arrangement, special consideration or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuation for any charges, mortgages, or amounts owing on the property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances and outgoings of any onerous nature which could affect its value.

Method of Valuation

We have valued the property by direct comparison approach assuming sale of the property in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Source of Information

We have relied to a very considerable extent on the information given by the company and have accepted advice given to us on such matters as costs incurred to date, planning approval, statutory notices, easements, tenure, particulars of occupancy, lettings, rentals, site and floor areas and all other relevant matters.

Dimensions and measurements are based on the copies of documents provided to us and are therefore only approximations. No on-site measurement has been carried out.

Title Investigation

We have not been provided with copies of the title documents relating to the property but have caused searches to be made at the Land Titles office. However, we have not searched the original documents to verify ownership or ascertain any amendment. All documents have been used for reference only and all dimensions, measurements and areas are approximations.

Site Inspection

We have inspected the exterior of the property as at February 28, 2019. The inspection is conducted by Mr. Paul Morassutti. We have not carried out any soil or site investigation. In undertaking our valuations, we have assumed that the property is suitable for development and no extraordinary cost or delays will be incurred during construction.

Our valuation certificate is hereby enclosed for your attention.

Yours truly,

For and on behalf of

CBRE LIMITED

Valuation & Advisory Services

Paul Morassutti, AACI, MRICS

Vice-Chairman, Valuation & Advisory Services

Note: Mr. Paul Morassutti is a Registered Professional Appraiser who has over 25 years experience in the valuation of properties in Canada.

Valuation Certificate

Property	Description	Particulars of occupancy	Market Value in Existing state as at March 4, 2019
Phase 2A (By-Law 1293-2018)			
88 Queen Street East, Toronto, Ontario Canada	This property comprises a building lot with a registered site area of 0.84 acres. Current Toronto Zoning By-Laws 1292-2018, 1293-2018, and 1294-2018 which allow for redevelopment of the site up to 46,247 sq.m. residential and 1,192 sq.m. of non- residential	This property is leased to OmniPark under lease for a current term of 1 year (5 July 2018 to 4 July 2019), renewable with option to terminate by the owner with 60 days notice. The current rent payable for the lot is CAD441,000 per annum	CAD105,000,000
Legal Description			
PIN 21098-0275 (LT)			
Fee Simple Absolute			

Notes:

- (1) The registered owner of the property is Queen Development Inc.
- (2) The property is subject to a Mortgage in favour of HSBC Bank Canada securing loan of CAD50,000,000 already advanced by the bank.
- (3) The property is subject to a Rental Assignment in favour of HSBC Bank Canada.
- (4) The property is zoned Commercial Residential with 9x coverage density, and is subject to Toronto Zoning By-law No. 1292-2018, 1293-2018 and 1294-2018 which provides, inter alia, that the total gross floor area of all buildings or structures to be entered or used on the lot shall not exceed 97,500 square meters (which is approximately 1,049,481 square feet).
- (5) Toronto Zoning By-Laws No. 1292-2018, 1293-2018 and 1294-2018 allow for the development of the site in two phases, 2A and 2B, with a gross floor area split as follows: (Phase 2A: 49% and Phase 2B: 51%).
- (6) There are no outgoings or disbursements from the rent before tax.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' interests in the Company

As at the Latest Practicable Date, the interests and short positions, if any, of the Directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares

Name of director	Capacity	Personal interests	Corporate interests	Other interests	Total interests	Percentage of the issued share capital of the Company (note f)
Mr. Jimmy Lee Yuen Ching	Chairman	—	—	536,514,894 (notes a & b)	536,514,894	52.776%
Mr. Loewe Lee Bon Chi	Managing Director	16,720,000	—	549,514,894 (notes a & c)	566,234,894	55.700%
Mr. James Lee Yuen Kui	Managing Director	6,534	—	—	6,534	0.001%
Mr. Ricky Wai Kwong Yuen	Director	—	40,994,543 (note d)	—	40,994,543	4.033%
Dr. Samson Sun, M.B.E., J.P.	Director	—	5,817,864 (note e)	—	5,817,864	0.572%
Mr. William Chan Chak Cheung	Director	330,000	—	—	330,000	0.032%

Notes:

- (a) 516,514,894 Shares, are part of the property of two discretionary trusts of which Mr. Jimmy Lee Yuen Ching and his family members and Mr. Loewe Lee Bon Chi's family members are named beneficiaries. Both Mr. Jimmy Lee Yuen Ching and Mr. Loewe Lee Bon Chi are directors of each of Americus Holdings and Fenmore Investments.

- (b) 20,000,000 Shares are held by Mr. Jimmy Lee Yuen Ching's family member.
- (c) 33,000,000 Shares are held by Mr. Loewe Lee Bon Chi's family member.
- (d) These 40,994,543 Shares are part of the property of two discretionary trusts of which Mr. Ricky Wai Kwong Yuen is named beneficiary.
- (e) These 5,817,864 Shares are held by a company which is controlled by Dr. Samson Sun indirectly. Therefore, Dr. Samson Sun is deemed to be interested in the Shares held by that company under the SFO.
- (f) The percentage was calculated based on a total of 1,016,584,962 Shares in issue as at the Latest Practicable Date.

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

As at the Latest Practicable Date, save as disclosed above, no other Director or proposed Director was a director or employee of a company which had an interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 March 2018 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

3. DIRECTORS' SERVICE CONTRACTS

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

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against the Company or any other member of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective close associates was interested in any businesses (apart from businesses of the Group), which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

6. QUALIFICATION AND CONSENT OF EXPERT AND EXPERT'S INTERESTS

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
CBRE Limited	An independent professional property valuer

As at the Latest Practicable Date, the expert did not have:

- (a) any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) any direct or indirect interests in any assets which have been, since 31 March 2018 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s), report(s), valuation certificate(s) and/or references to its name included herein in the form and context in which they appear.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within two years immediately preceding the date of this circular and are, or may be, material:

- (a) the formal sale and purchase agreement dated 23 May 2017 entered into among three vendors (who are Independent Third Parties) and Perfect Way Limited (a wholly-owned subsidiary of the Company) as purchaser in relation to the acquisition of the entire issued share capital of Elite Bright Asia Pacific Limited (錦輝亞太有限公司) (“Elite”) and the

loans owing by Elite to the aforementioned three vendors at a consideration of HK\$376,082,284. Further details of the agreement and the transactions contemplated thereunder are set out in the announcements of the Company dated 22 March 2017 and 24 May 2017 as well as the circular of the Company dated 9 June 2017;

- (b) the preliminary sale and purchase agreement dated 19 November 2017 entered into between Samford Limited (a wholly owned subsidiary of the Company) as vendor and an Independent Third Party as purchaser in respect of the sale and purchase of House No. C36 (including its 2 car parking spaces), Regalia Bay, No. 88 Wong Ma Kok Road, Hong Kong at a consideration of HK\$95,000,000. Further details of the agreement and the transactions contemplated thereunder are set out in the announcement of the Company dated 20 November 2017;
- (c) the memorandum of agreement dated 18 December 2017 entered into between an Independent Third Parties whose shares are listed on the Main Board of the Stock Exchange as purchaser and Pioneer Marvel Global Limited (a wholly-owned subsidiary of the Company) (“**PMG**”) as the vendor in relation to the disposal of the entire issued share capital of Purplefield Holdings Limited (“**PHL**”) and all the shareholders’ loans owed by PHL to PMG (“**PMG Disposal**”) at a consideration of HK\$501,341,155.86. Further details of the agreement and the transactions contemplated thereunder are set out in the announcement of the Company dated 19 December 2017 and the circular of the Company dated 15 February 2018;
- (d) the formal sale and purchase agreement dated 25 January 2018 in relation to the PMG Disposal. Further details of the agreement and the transactions contemplated thereunder are set out in the announcement of the Company dated 19 December 2017 and the circular of the Company dated 15 February 2018; and
- (e) the SPA.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekdays (except for Saturday and public holidays) at the Company’s principal place of business in Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the property valuation report, the text of which is set out in appendix II to this circular;
- (c) the written consent given by the expert referred to in the paragraph headed “6. Qualification and Consent of Expert and Expert’s Interests” in this appendix;
- (d) the annual reports of the Company for the two financial years ended 31 March 2017 and 2018;

- (e) the interim report of the Company for the six months ended 30 September 2018;
- (f) the material contracts referred to in the paragraph headed “7. Material Contracts” in this appendix; and
- (g) this circular.

9. MISCELLANEOUS

- (a) The qualified accountant and company secretary of the Company is Mr. Wong Kam Kee, Andy, who is a fellow member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong holds an Executive Master Degree of Business Administration from Chinese University of Hong Kong and a Master of Science Degree in Financial Management from the University of London;
- (b) The registered office of the Company is located at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda. The principal place of business of the Company is at Suite 3201, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong;
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong; and
- (d) The English text of this circular prevails over the Chinese text in case of inconsistency.