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

If you have sold or transferred all your shares in Henry Group Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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HENRY GROUP HOLDINGS LIMITED

鎮科集團控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 859)

**MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL OF
ENTIRE EQUITY INTERESTS
IN SEEDTIME INTERNATIONAL LIMITED**

Financial Adviser to the Company



* *for identification purposes only*

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DEFINITIONS

In this circular, unless the context otherwise require, the following expressions shall have the following meanings when used herein:

“Assignment of Debt”	the assignment of debt to be executed by the Vendor, the Purchaser and Target Company
“Bank”	a commercial bank in Hong Kong
“Bank Loan”	all the outstanding amount owed by Land Base to the Bank in relation to the Property from time to time, including all outstanding principal and interests accrued (but shall exclude penalty for early repayment of such outstanding amount), which was approximately HK\$431.6 million as at the date of the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturdays and Sundays and a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is issued in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business in Hong Kong
“Company”	Henry Group Holdings Limited (stock code: 859), a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Share and the Debts under the Sale and Purchase Agreement
“Completion Date”	the later of (i) the corresponding date falling five months after the date of the Sale and Purchase Agreement; and (ii) the corresponding date falling two months after the date of fulfillment or (if permitted) waiver of all the conditions precedent, or such other date as the parties to the Sale and Purchase Agreement may agree in writing
“Consideration”	the aggregate consideration of HK\$965,000,000 for the sale and purchase of the Sale Share and the assignment of Debt under the Sale and Purchase Agreement
“Debts”	the outstanding unsecured, interest-free loan without any fixed term of repayment owed by the Target Company to the Vendor immediately prior to Completion and to be assigned under the Assignment of Debt
“Director(s)”	director(s) of the Company

DEFINITIONS

“Disposal”	the conditional disposal of the Sale Share and the assignment of Debt by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
“Fulfilment Date of Conditions (i) to (iv)”	the 45 th day after the date of the Sale and Purchase Agreement (or such later date as the Vendor and the Purchaser may agree in writing), being the deadline for fulfillment of the conditions (i) to (iv) set out under the section headed “Conditions precedent of the Sale and Purchase Agreement” to this circular
“Fulfilment Date of Condition (v)”	the 45 th day after the date of the Sale and Purchase Agreement, being the deadline for fulfilment of the condition (v) set out under the section headed “Conditions precedent of the Sale and Purchase Agreement” to this circular, provided that if such condition is not fulfilled by such date, such deadline will be automatically extended to the 60 th day after the date of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Land Base”	Land Base Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by the Target Company
“Latest Practicable Date”	1 August 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	a commercial building situated at Nos. 487 and 489 Lockhart Road, Hong Kong and known as “L’hart” with an aggregate of gross floor area of approximately 32,728 square feet
“Purchaser”	Prime Magic Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale and Purchase Agreement”	the sale and purchase agreement dated 13 July 2017 entered into among the Purchaser, the Vendor and the Company in relation to the Disposal
“Sale Share”	1 issued share in the share capital of the Target Company, representing the entire issued share capital of the Target Company

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of par value of HK\$0.10 each of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Seedtime International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by the Vendor
“Target Group”	Target Company and its wholly-owned subsidiary, Land Base
“Vendor”	Rose City Group Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent



HENRY GROUP HOLDINGS LIMITED

鎮科集團控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 859)

Executive Directors:

Mr. Ng Ian
Mr. Chan Kwok Hung

Non-executive Directors

Mr. Ng Chun For, Henry
Mr. Mak Wah Chi

Independent non-executive Directors:

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Mr. Chan Kam Man
Mr. Chu Tak Sum

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Causeway Bay, Hong Kong

2 August 2017

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL OF
ENTIRE EQUITY INTERESTS
IN SEEDTIME INTERNATIONAL LIMITED**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 13 July 2017 in relation to the Disposal.

After the Stock Exchange trading hours on 13 July 2017, the Vendor, an indirect wholly-owned subsidiary of the Company, the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to

* *for identification purposes only*

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sell the Sale Share and to assign the Debt and the Purchaser has conditionally agreed to purchase the Sale Share and the Debt at a consideration of HK\$965,000,000 (subject to adjustments). The Sale Share represents the entire issued share capital of the Target Company.

The purpose of this circular is to provide you with, among other things, (i) details of the Disposal; and (ii) the valuation report of the Property.

THE SALE AND PURCHASE AGREEMENT

Date: 13 July 2017 (after trading hours)

Parties: Rose City Group Limited (i.e. the Vendor), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company, as the vendor;

the Company, as the guarantor of the Vendor to guarantee the due and punctual observance and performance of the obligations of the Vendor under the Sale and Purchase Agreement; and

Prime Magic Holdings Limited, (i.e. the Purchaser), a company incorporated in the British Virgin Islands with limited liability, as the purchaser.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject matters

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell the Sale Share and to assign the Debt and the Purchaser has conditionally agreed to purchase the Sale Share and the Debt at a consideration of HK\$965,000,000 (subject to adjustments). The Sale Share represents the entire issued share capital of the Target Company.

Consideration

The initial Consideration (subject to adjustments) for the Disposal is HK\$965,000,000, which consists of (i) the consideration for the assignment of the Debts, which shall be the sum equivalent to the aggregate outstanding amounts of the Debts immediately prior to Completion, payable by the Purchaser to the Vendor on a dollar for dollar basis; and (ii) the consideration for the Sale Share, being the initial Consideration less the consideration for the Debts, payable by the Purchaser to the Vendor.

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The Purchaser (or through its nominee) shall pay the initial Consideration in the manner as described below:

- (i) HK\$96,500,000, being the initial deposit in the sum equivalent to 10% of the Consideration, has been paid by the Purchaser (or through its nominee) to the Vendor's solicitors by cheque upon the signing of the Sale and Purchase Agreement;
- (ii) HK\$96,500,000, being the further deposit in the sum equivalent to 10% of the Consideration, shall be paid by the Purchaser (or through its nominee) to the Vendor (or the Vendor's nominee as the Vendor may direct) on the first Business Day after the fulfillment of all the conditions under the Sale and Purchase Agreement as set out under the section headed "Conditions precedent of the Sale and Purchase Agreement" below; and
- (iii) the remaining balance of the Consideration, being HK\$772,000,000, shall be paid by the Purchaser (or through its nominee) to the Vendor (or the Vendor's nominee as the Vendor may direct) on the Completion Date.

The initial Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, the preliminary market value of the Property of HK\$960,000,000 as at 31 March 2017 as appraised by an independent firm of qualified professional valuers.

Adjustments to the Consideration

The Vendor shall furnish to the Purchaser the audited consolidated financial statements of the Target Company for the period from 1 April 2017 to immediately before Completion on the Completion Date (the "Post Completion (Consolidated) Accounts") within 60 Business Days after Completion.

If the adjusted consolidated net asset value of the Target Company (excluding the amounts of (i) the Property; (ii) the provision for litigation cost; (iii) the Debts; and (iv) the deferred tax liabilities) as at the Completion Date as shown on the Post Completion (Consolidated) Accounts is a positive figure, the initial Consideration shall be adjusted upwards on a dollar for dollar basis but in any event such upward adjustment shall not be more than HK\$3.8 million. The Purchaser shall pay to the Vendor (or its nominee) such difference within five Business Days after the issuance of the Post Completion (Consolidated) Accounts.

If the adjusted consolidated net asset value of the Target Company (excluding the amounts of (i) the Property; (ii) the provision for litigation cost; (iii) the Debts; and (iv) the deferred tax liabilities) as at the Completion Date as shown on the Post Completion (Consolidated) Accounts is a negative figure, the initial Consideration shall be adjusted downwards on a dollar for dollar basis and there is no floor for the downward adjustment. The Vendor shall pay to the Purchaser such difference within five Business Days after the issuance of the Post Completion (Consolidated) Accounts.

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As at 30 June 2017, the unaudited consolidated net asset value of the Target Company amounted to approximately HK\$766.7 million, of which (i) the total assets (excluding the amount of the Property) amounted to approximately HK\$28.8 million which mainly comprised bank balances of approximately HK\$27.4 million and trade and other receivables and tax recoverable of approximately HK\$1.4 million; and (ii) the total liabilities (excluding the amounts of (i) the provision for litigation cost; (ii) the Debts; and (iii) the deferred tax liabilities) amounted to approximately HK\$8.9 million which mainly comprised other payables, rental deposits received and accruals of approximately HK\$8.6 million. Based on the aforesaid financial position of the Target Company as at 30 June 2017 and taking into account that the unaudited consolidated net asset value of the Target Company amounted to approximately HK\$768.8 million as at 31 March 2017 and such slight decrease of approximately HK\$2.1 million as compared to the same as at 30 June 2017 was mainly due to the provision of early repayment penalty of the Bank Loan, it is expected that there will not be a material decrease of the adjusted consolidated net asset value of the Target Company on the Completion Date.

Conditions precedent of the Sale and Purchase Agreement

Completion is conditional upon, among other things, (a) the conditions (i) to (iv) below being fulfilled or waived (as the case may be) on or before the Fulfilment Date of Conditions (i) to (iv); and (b) the condition (v) below being fulfilled on or before the Fulfilment Date of Condition (v):

- (i) the Purchaser or its appointed professional advisors shall have completed the legal, financial and corporate due diligence investigation and results of which are reasonably satisfactory to the Purchaser;
- (ii) the Vendor shall have delivered to the Purchaser an original certificate of good standing and an original certificate of incumbency dated no earlier than the date of the Sale and Purchase Agreement in respect of the Target Company;
- (iii) the Vendor shall have given, proved and shown Land Base's title to the Property and made and furnished to the Purchaser the originals or certified copies (as the case may be) of such deeds and documents of title, will and matters of public records as may be necessary to complete and prove such title;
- (iv) the Vendor shall have caused and/or procured the delivery to the Purchaser for the inspection of the Purchaser of the original unaudited consolidated pro forma financial statements of the Target Company for the period from 1 April 2017 to immediately before Completion on Completion Date; and
- (v) there shall be no outstanding indication by the regulatory authorities (including the Stock Exchange and Securities and Futures Commission) that questions the continuing listing status of the Company arising out of or in connection with entry into the Sale and Purchase Agreement or completion thereof; and if necessary under the Listing Rules, despatched the circular and obtained all necessary approvals by the Company under the Listing Rules, including but not limited to the approval of the shareholders or independent shareholders (as the

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case may be) of the Company by way of poll in general meeting (or, if in compliance with the conditions under Rule 14.44 of the Listing Rules, by written shareholder's approval in lieu of holding a general meeting), in respect of the entering into of the Sale and Purchase Agreement and the transactions contemplated thereby and the performance of the Company and/or its subsidiaries' respective obligations thereunder and in relation thereto in compliance with the Listing Rules.

The Purchaser may waive all or any condition(s) (other than the condition (v) above) by notice in writing to the Vendor specified in the Sale and Purchase Agreement.

As at the Latest Practicable Date, condition (ii) above have been fulfilled, whilst all other conditions have not been fulfilled or waived. In respect of condition (v), as at the Latest Practicable Date, written shareholder's approval in respect of the entering into of the Sale and Purchase Agreement and the transactions contemplated thereby and the performance of the Company and/or its subsidiaries' respective obligations thereunder and in relation thereto has been obtained, and there is no indication by the regulatory authorities (including the Stock Exchange and Securities and Futures Commission) that questions the continuing listing status of the Company arising out of or in connection with entry into the Sale and Purchase Agreement or completion thereof.

Repayment of the Bank Loan

Subject to fulfillment or waiver (if permitted) of all the conditions, the Vendor shall on or before the Completion Date, among the others, cause Land Base to repay the Bank Loan and penalty for early repayment of such Bank Loan (if any) in full for the release or discharge of the relevant security documents, and cause such release or discharge.

Completion

Completion shall take place on the Completion Date after the fulfillment (or waiver, as the case may be) of all the conditions precedent above.

INFORMATION RELATING TO THE TARGET GROUP AND THE PROPERTY

The Target Group comprises the Target Company and Land Base. The Target Company is a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of the Vendor. Land Base, a company incorporated in Hong Kong with limited liability, holding the Property, is a direct wholly-owned subsidiary of the Target Company. The Target Company is investment holding company whereas Land Base is principally engaged in property investment in Hong Kong.

The principal asset of the Target Group is the Property, which is a commercial building situated at Nos. 487 and 489 Lockhart Road, Hong Kong and known as "L'hart" with an aggregate of gross floor area of approximately 32,728 square feet. The Property was purchased by Land Base in 2004 with the original purchase cost of approximately HK\$118.0 million. As at the Latest Practicable Date, the Property is being rented to various persons/entities as tenants or licensee (as the case may be) at an aggregate monthly rental

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income of approximately HK\$1.3 million (exclusive of government rent, rates and management fees) under the tenancy and/or licence agreements. The rental income attributable to the Property for each of the two years ended 31 March 2016 and 2017 were approximately HK\$23.0 million and HK\$25.6 million, respectively. The Property was valued at HK\$960.0 million as at 31 March 2017 and the unaudited book value of the Property was HK\$960.0 million as at 30 June 2017.

According to the property valuation report prepared by Savills Valuation and Professional Services Limited which is set out in Appendix II to this circular, the valuation of the Property was HK\$960,000,000 as at 30 June 2017 on the basis that the Property comprises a 26-storey commercial building erected on a roughly trapezium site which is formed by two contiguous lots with a total registered site area of approximately 202.736 square meter (or 2,182 square feet) as at the Latest Practicable Date.

Litigation

Land Base (as defendant) has involved in an litigation which relates to a dispute regarding the ownership of a strip of land which is the common staircase located between L'hart and Kyoto Plaza, which the plaintiffs of the said litigation had not used since 1992. Pursuant to the Sale and Purchase Agreement, the Purchaser accepts all the risks and liabilities arising from and in connection with the said litigation. For further details of this litigation, please refer to Appendix III to this circular.

Financials of the Target Group

Set out below is the summary of the unaudited financial information of the Target Group for each of the financial years ended 31 March 2016 and 2017 as extracted from its consolidated management accounts based on Hong Kong Financial Reporting Standards:

	For the year ended 31 March	
	2016	2017
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Revenue	22,954	25,584
Net profit/(loss) before taxation	6,855	(133,951)
Net profit/(loss) after taxation	3,500	(135,596)

As at 30 June 2017, the Target Group had unaudited consolidated net asset value of approximately HK\$766.7 million.

INFORMATION ON THE GROUP AND THE VENDOR

The Group is principally engaged in property leasing and development.

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company and its principal activity is investment holding.

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INFORMATION ON THE PURCHASER

Based on the information provided by the Purchaser, the Purchaser is a company incorporated in the British Virgin Islands with limited liability. The Purchaser is principally engaged in investment holding.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

FINANCIAL EFFECTS OF THE DISPOSAL

Following Completion, the Company will cease to have any interests in each member of the Target Group. As such, each of the Target Company and Land Base shall cease to be subsidiaries of the Company and accordingly, their respective financial results and conditions will also be deconsolidated from the consolidated financial statements of the Company.

Assets and liabilities

For illustrative purpose, based on the audited consolidated financial statements of the Group as at 31 March 2017 and the unaudited financial statements of the Target Group as at 30 June 2017, it is estimated that upon Completion, the consolidated total assets of the Group will be decreased by approximately HK\$435.4 million as a result of the Disposal which is mainly due to the combined effect of (i) the increase in the cash balance of the Group as a result of the Consideration to be received from the Purchaser; (ii) the decrease in the book value of the Property as at 30 June 2017; (iii) the decrease in the current assets of the Target Group; and (iv) the decrease in the cash balance of the Group due to the repayment of Bank Loan on or before the Completion Date. In addition, the consolidated total liabilities of the Group will be decreased by approximately HK\$439.1 million as a result of the Disposal which is mainly due to (i) the repayment of Bank Loan; (ii) the decrease in the provision for litigation cost; and (iii) the decrease in the deferred tax liabilities.

Earnings

The unaudited loss after taxation of the Target Group for the year ended 31 March 2017 was approximately HK\$135.6 million and deferred taxation amounted to approximately HK\$5.5 million of the Target Group will be taken by the Purchaser. It is expected that the Group's earnings will improve as a result of the Disposal.

The unaudited consolidated net asset value of the Target Group as at 30 June 2017 amounted to approximately HK\$766.7 million. The Consideration represents an excess of approximately 25.9% over the unaudited consolidated net asset value of the Target Group as at 30 June 2017.

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The Group expects to realise an estimated gain of approximately HK\$3.7 million from the Disposal, which is calculated on the basis of the difference between (a) the consideration for the sale and purchase of the Sale Share of approximately HK\$779.4 million (being the aggregate consideration of the Disposal HK\$965.0 million less the Debts of approximately HK\$185.6 million); (b) the unaudited consolidated net asset value of the Target Group as of 30 June 2017 of approximately HK\$766.7 million; and (c) the relevant estimated transaction cost and expenses incurred of approximately HK\$9.0 million which are mainly commissions and professional fees and expected to be incurred by the Group in connection with the Disposal.

The abovementioned financial effects are shown for illustrative purpose only and the actual gain/loss eventually to be recognised in the consolidated financial statements of the Company, depends on, among other things, the consolidated net asset value of the Target Group as at the Completion Date.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

The Property is being held by the Group for rental income and capital appreciation. Currently, the Property is subject to and with the benefit of existing tenancy and license agreements.

The Board considers that the Disposal represents a good opportunity for the Group to realise its investment in the Property and enable the Group to reallocate the financial resources on any suitable property investment opportunities which would enhance Shareholders' value.

After taxes, repayment of the Bank Loan of approximately HK\$431.6 million and deduction of commissions and professional fees and other related expenses directly attributable to the Disposal of approximately HK\$9.0 million, it is expected that the Company will have an amount of net proceeds of the consideration of the Sale Shares (i.e. HK\$779.4 million) of approximately HK\$338.8 million, which is intended to apply towards the general working capital and/or future property investment opportunities of the Group, in the following manner:

- (i) approximately HK\$38.8 million for general working capital such as staff costs, office and administrative expenses and/or fund reserved for repayment of bank borrowings together with interests (with demand clauses) of the Group of approximately HK\$21.3 million when they full due for the financial year ending 31 March 2018; and
- (ii) approximately HK\$300.0 million for future property investment opportunities of the Group, which as at the Latest Practicable Date, the Company has yet to identify any suitable investment opportunities and has not yet entered, or proposed to enter, into agreement, arrangement, understanding or undertaking and negotiation (whether concluded or not) with any target companies.

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LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios calculated in accordance with the Listing Rules is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Ng Ian, the chairman, executive Director and a controlling Shareholder, is interested in, by himself and through Golden Tool International Limited ("Golden Tool") and Trade Icon Holdings Limited ("Trade Icon") (all of which are beneficially wholly-owned by Mr. Ng Ian), 480,000 Shares, 805,527,527 Shares and 12,563,883 Shares, respectively (or in aggregate 818,571,410 Shares), representing approximately 0.04%, 73.61% and 1.15% (or in aggregate approximately 74.80%) of the entire issued share capital of the Company, respectively, as at the Latest Practicable Date. Since (i) no Shareholder has material interest in the Disposal and therefore none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal; and (ii) the Company has obtained a written approval from Mr. Ng Ian, Golden Tool and Trade Icon for the approval of the Disposal, no general meeting of the Company is required to be convened for the approval of the Sale and Purchase Agreement for the Disposal pursuant to Rule 14.44 of the Listing Rules.

WARNING

Completion is conditional upon the fulfillment of the conditions of the Sale and Purchase Agreement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position and as to the actions that they should take.

ADDITIONAL INFORMATION

Your attention is drawn to the financial information of the Group and other general information set out in the appendices to this circular.

For and on behalf of
Henry Group Holdings Limited
Chan Kwok Hung
Executive Director

I. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 MARCH 2015, 2016 AND 2017

Financial information of the Group for the three financial years ended 31 March 2015, 2016 and 2017 are disclosed in pages 32 to 113 of the annual report of the Company for the year ended 31 March 2015, pages 35 to 114 of the annual report of the Company for the year ended 31 March 2016 and pages 47 to 122 of the annual report of the Company for the year ended 31 March 2017 respectively, all of which are published on both the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.henrygroup.hk>). Quick links to the annual reports of the Company are set out below:

1. Annual report of the Company for the year ended 31 March 2015: <http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0714/LTN20150714231.pdf>
2. Annual report of the Company for the year ended 31 March 2016: <http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0714/LTN20160714037.pdf>
3. Annual report of the Company for the year ended 31 March 2017: <http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0718/LTN20170718013.pdf>

II. INDEBTEDNESS

As at the close of business on 30 June 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following outstanding borrowings:

1. Outstanding bank borrowings (secured) of approximately HK\$1,166,200,000. The Group's secured bank loans are secured by the Group's investment properties in Hong Kong with an aggregate carrying amount of approximately HK\$3,051,000,000, pledge of several issued shares of subsidiaries, corporate guarantees given by the Company for securing banking facilities granted to its certain subsidiaries of HK\$1,316,000,000, and assignment of rent generated from the investment properties in Hong Kong.
2. Outstanding convertible note with principal amount of HK\$11,000,000 which was unsecured, bear interest at 1.68% per annum and repayable on 6 December 2020.

Contingent liabilities

High Fly Investments Limited ("High Fly"), an indirect non-wholly owned subsidiary of the Company which were dissolved by virtue of voluntary liquidation with the British Virgin Islands ("BVI") Registry of Corporate Affairs approved on 24 January 2014 and Premium Assets Development Limited ("Premium Assets") (collectively the "Indemnifiers") had signed Deed of Indemnity (the "Deed") on 4 October 2013 (being date of completion of the sale and purchase agreement ("SPA") with Double Favour Limited ("Double Favour")). Pursuant to the Deed, each of indemnifiers thereby severally, pro rata to their respective shareholdings in the High

Luck International Limited (“High Luck”) immediately before completion of the SPA (i.e. 45% as to Premium Assets and 55% as to High Fly) (the “Relevant Proportion”) undertakes to Double Favour (for itself and as trustee of the High Luck and its subsidiaries (the “Disposal Group”) to pay them an amount or amounts equal to each of the following:

- (a) any liability to taxation in connection with any claim in respect of all taxation falling on any member of the Disposal Group resulting from or by reference to any transaction, event, matters or thing occurred or effected during the period from 1 September 2007 to 4 October 2013 (being date of completion of the SPA) (the “Relevant Period”), or in respect of any gross receipts, income, profits or gains earned, accrued or received, or alleged or deemed to have been earned, accrued, or received by any member of the Disposal Group during the Relevant Period, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company; and
- (b) all action, claims, losses, damages, cost (including all legal costs), charges, expenses, interests, penalties or any other liabilities to which any member of the Disposal Group is or may be subject or which any member of the Disposal Group or Double Favour may reasonably and properly incur in connection with:
 - (i) any investigation, assessment or the contesting of any claim or any of the matter referred to in (a) above;
 - (ii) the settlement of any claim or any of the matters referred to in (a) above;
 - (iii) any legal proceedings or actions in which the Purchaser or any member of the Disposal Group claims under or in respect of the Deed and in which judgment is given in favour of the Double Favour or any member to the Disposal Group; or
 - (iv) the enforcement of any such settlement or judgment,

and each of the Indemnifiers severally in the Relevant Proportion undertakes to indemnify an hold harmless or demand any member of the Disposal Group and Double Favour in respect of the matters referred to (a) to (b) (inclusive) above.

Notwithstanding anything to the contrary herein provided and the guarantee provided in the SPA, Double Favour further agrees and acknowledges to High Fly acting as trustee for the benefit of Uptodate Management Limited (“Uptodate”), an indirect wholly owned subsidiary of the Company and Best Task Limited that their respective obligations under the guarantee in respect of any obligations arising from any claims against High Fly under the Deed and/or the SPA (the “Relevant Claims”), the obligations of Uptodate under the guarantee for such Relevant Claims should only be limited to 54.55% of the said claims (i.e. not more than 30% of total claims).

Pursuant to the Deed, the Board is of the opinion that it would be unlikely for the Group through Uptodate to suffer any material financial loss as a result of giving the aforesaid indemnity on several basis limited to 30% of the Relevant Claims.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding, at the close of business on 30 June 2017, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

III. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of its presently available financial resources, including funds internally generated from operation and the available financing facilities, the Group will have sufficient working capital for its present requirement for at least the next twelve months from the date of publication of this circular.

IV. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment holding company. The principal activities of the Group are property leasing and development. For the year ended 31 March 2017, the Group recorded a profit of approximately HK\$34.1 million. The property investment business continued to be a core business and income stream of the Group. In line with its business strategy, the Group will continue to support the development of domestic service-based retailers' businesses and provide them with a geographical advantage by offering prime vertical retailing space with more competitive leases than rents for street-level shops and shopping malls. The Group will ride on the opportunities afforded by the present stable economic growth and buoyant local spending in the retail market. Going forward, the Group will continue to explore and acquire quality properties to diversify its properties portfolio.



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Henry Group Holdings Limited
Suite 1711, Tower 2
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

2 August 2017

Dear Sirs

**RE: L'HART, 487 AND 489 LOCKHART ROAD, CAUSEWAY BAY, HONG KONG
(THE "PROPERTY")**

In accordance with your instructions from Henry Group Holdings Limited (the "Company") for us to value the Property held by the Company or its subsidiaries for investment purposes, we confirm that we have carried out inspection, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the Property as at 30 June 2017 ("Date of Valuation") for the purposes of inclusion in a circular to be issued by the Company on 2 August 2017 in relation to a major transaction.

BASIS OF VALUATION

Our valuation is our opinion of the Market Value of the Property which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

We are independent of the Company and have carried out the valuation independently and impartially. Our valuation is prepared in accordance with “The HKIS Valuation Standards (2012 Edition)” published by The Hong Kong Institute of Surveyors. We have also complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION METHODOLOGY

In preparing our valuation of the Property, we have adopted the sales comparison approach and made reference to sales of comparable properties as available in the market and the income capitalization approach whereby the rental incomes of contractual tenancies for the unexpired terms and the reversionary market rents after expiry of tenancies are capitalized.

TITLE INVESTIGATIONS

We have not been provided with any title documents relating to the Property but we have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers. We understand that the current registered owner of the Property has been involved in a litigation which relates to a dispute regarding the ownership of a strip of land which is the common staircase located between the Property and the adjoining building (i.e. Kyoto Plaza, 491–499 Lockhart Road). We are instructed by the Company to assume such litigation will not affect the title and the value of the Property. As advised by the Company, there are no other investigations, notices, pending litigation, breaches of law or title defects against the Property. In the course of our valuation, we have assumed that the Property has good legal title and is freely transferable in the market.

VALUATION CONSIDERATION AND ASSUMPTIONS

We have relied to a very considerable extent on information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupancy status, lettings, site and floor areas, floor plans and all other relevant matters. We have not carried out on-site measurement to verify the correctness of the site area and floor areas in respect of the Property but have assumed that the site area and floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations.

We have inspected the exterior of the Property. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Property is free from rot, infestation or any other structural defect. No tests were carried out on any of the services. No environmental study for the Property has been made. In undertaking our valuation, we have assumed that the interior of the Property is finished and maintained in reasonable conditions commensurate with its age and uses; and the Property is in its original/approved layout without any unauthorized

structures, extensions and alterations. We have also assumed in our valuation that the Property is provided with normal and satisfactory building services for the existing use as at the Date of Valuation. Our inspection is undertaken by Mr Martin Wong, MRICS, MHKIS on 15 July 2017.

No allowance has been made in our valuation for any charges, mortgage or amount owing on the Property nor for 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, restrictions, and outgoings of an onerous nature which could affect its value.

We enclose herewith our valuation certificate.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited

Charles C K Chan

MSc FRICS FHKIS MCI Arb RPS (GP)

Managing Director

Note: Charles C K Chan is a professional surveyor who has over 32 years' experience in valuation of properties in Hong Kong.

Enc

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2017
<p>L'hart, 487 and 489 Lockhart Road, Causeway Bay, Hong Kong.</p> <p>The Remaining Portion of Sub-section 8 and The Remaining Portion of Sub-section 14 of Section A of Inland Lot No. 2836.</p>	<p>The Property comprises a 26-storey commercial building erected on a roughly trapezium site which is formed by two contiguous lots with a total registered site area of approximately 202.736 sq m (2,182 sq ft).</p> <p>The building is situated on the northern side of Lockhart Road, near its junction of Percival Street in Causeway Bay District which is a prime commercial, shopping and tourist area in Hong Kong. Developments in the vicinity comprise commercial buildings, commercial/residential composite buildings and hotels as well as aged tenement buildings.</p> <p>The building is completed in 2008. According to a set of building plans and various sets of addition and alteration works plans approved by the Building Authority, the building consists of simplex shop units and duplex shop units on the Ground to 3rd Floors and the 7th to 28th Floors; and mechanical facilities on the 5th to 6th Floors. The 4th, 14th and 24th Floors are omitted in floor numbering.</p> <p>According to the building plans, the total gross floor area of the building is approximately 3,040.548 sq m (32,728 sq ft).</p> <p>The Remaining Portion of Sub-section 8 and The Remaining Portion of Sub-section 14 of Section A of Inland Lot No. 2836 are held from the Government under a Government Lease for a term of 99 years from 30 September 1929 with a right of renewal for a further term of 99 years.</p> <p>The total annual Government rent payable for the lots is HK\$30.</p>	<p>The Property are let under various tenancies mostly for terms of 2 or 3 years with the latest expiry in August 2020 at a total monthly rent of approximately HK\$1,390,000 exclusive of Government rent, rates, management fees and any other charges.</p> <p>The Property is also subject to various licences for the light boxes, flat roof and roof of the building at a total monthly licence fee of approximately HK\$11,000.</p>	<p>HK\$960,000,000</p> <p>(Hong Kong Dollars Nine Hundred Sixty Million)</p>

Notes:

- (1) The current registered owner of the Property is Land Base Limited, a wholly-owned subsidiary of the Company, via an assignment dated 17 August 2004, and registered vide memorial no. UB9311034.
- (2) Pursuant to the land register record obtain from the Land Registry, the Property, *inter alia*, is subject to the following encumbrances:
 - (i) Mortgage dated 21 September 2009 in favour of Dah Sing Bank, Limited, and registered vide memorial no. 09100702920053;
 - (ii) Rent Assignment dated 21 September 2009 in favour of Dah Sing Bank, Limited, and registered vide memorial no. 09100702920065; and
 - (iii) Executed Licence Letter for the removal of the 5 offensive trades clauses dated 11 December 2009 from District Lands Officer, Hong Kong East, and registered vide memorial no. 10012800720050.
- (3) Development and uses of the Property are governed by the covenants set out in the Government Lease of Inland Lot No. 2836 which is virtually unrestricted except for the prohibition against offensive trade uses.
- (4) The Property lies within an area zoned “Commercial (1)” under Causeway Bay Outline Zoning Plan No. S/H6/15 gazetted on 17 September 2010.
- (5) As advised by the Company, there is no present plan for construction, renovation, improvement, development or change of use of the Property.
- (6) We understand that the current registered owner of the Property has been involved in a litigation which relates to a dispute regarding the ownership of a strip of land which is the common staircase located between the Property and the adjoining building (i.e. Kyoto Plaza, 491–499 Lockhart Road). We are instructed by the Company to assume such litigation will not affect the title and the value of the Property.
- (7) We have issued a valuation certificate dated 27 June 2017 for valuation of the Market Value of the Property as at 31 March 2017 for the Company’s accounting purposes. The valuation amount as disclosed in the valuation certificate is HK\$960,000,000.

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 Group. 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 OF DIRECTORS AND CHIEF EXECUTIVES

Directors' and chief executives' interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations

As at the Latest Practicable Date, the following Directors or chief executive of the Company had or were deemed to have 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) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they had taken or were deemed to have taken under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules:

(I) *Interests and short positions in the Shares, underlying Shares and debentures of the Company*

(a) *Long positions in ordinary Shares of HK\$0.1 each of the Company*

Name of Directors	Number of ordinary shares held (long position)		Number of underlying shares in respect of (share options) (Convertible notes)		Total	Approximate percentage of issued share capital of the Company
	Personal Interest	Corporate Interest	Personal Interest	Corporate Interest		
Mr. Ng Ian*	480,000	818,091,410 <i>(note 1)</i>	9,788,000 <i>(note 2)</i>	11,777,302 <i>(note 3)</i>	840,136,712	76.77%
Mr. Ng Chun For, Henry	127,200	—	—	—	127,200	0.01%
Mr. Chan Kwok Hung	2,000	—	13,579,612 <i>(note 2)</i>	—	13,581,612	1.24%
Mr. Mak Wah Chi	2,029,225	—	—	—	2,029,225	0.19%

* *Son of Mr. Ng Chun For, Henry*

Notes:

- (1) Mr. Ng Ian is deemed to be interested in 818,091,410 Shares which comprise an aggregate of (i) 805,527,527 Shares held by Golden Tool International Limited (“Golden Tool”); and (ii) 12,563,883 Shares held by Trade Icon Holdings Limited (“Trade Icon”). Both Golden Tool and Trade Icon both are wholly and beneficially owned by Mr. Ng Ian.
- (2) These interests represent the interests in underlying Shares in respect of share options granted by the Company to these directors as beneficial owners.
- (3) Mr. Ng Ian is deemed to be interested in 11,777,302 underlying Shares which represent the convertible notes with a principal amount of HK\$11 million carrying rights to convert into 11,777,302 shares at an initial conversion price of HK\$0.934 per Share (subject to adjustment) upon full conversion issued by the Company to Superb Global Group Limited (“Superb”), a company wholly and beneficially owned by Mr. Ng Ian.

(b) Long positions in underlying Shares in respect of share options

As at the Latest Practicable Date, the Directors had personal interests in the share options granted the Company under the share option scheme adopted by the Company on 3 September 2013 as follows:

Name of Director	Date of grant	Exercisable period	Exercise price per Share Option	Number of Share Options outstanding	Approximate percentage of interest in issued share capital
Mr. Ng Ian	28 August 2015	28 August 2015 to 27 August 2025	0.878	5,300,000	0.48%
	2 September 2016	2 September 2016 to 1 September 2026	1.114	4,488,000	0.41%
Mr. Chan Kwok Hung	30 April 2014	30 April 2014 to 29 April 2024	1.0211	1,014,612	0.09%
	5 September 2014	5 September 2014 to 4 September 2024	0.9100	2,850,000	0.26%
	28 August 2015	28 August 2015 to 27 August 2025	0.878	5,198,000	0.47%
	31 March 2016	31 March 2016 to 30 March 2026	1.382	4,517,000	0.41%
				23,367,612	2.12%

(II) Interests and short positions in the Shares, underlying Shares and debentures of the associated corporations of the Company

Long positions in the shares of the associated corporation of the Company

Name of Director	Name of associated corporation	Capacity and nature of interests	Number of issued ordinary shares held	Approximate percentage of issued share capital of the associated corporation
Mr. Ng Ian	Golden Tool	Personal interests (held as beneficial owner)	1	100%
Mr. Ng Ian	Trade Icon	Personal interests (held as beneficial owner)	1	100%
Mr. Ng Ian	Superb	Personal interests (held as beneficial owner)	1	100%

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

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the following companies and persons who had, or were deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO or which were otherwise notified to the Company and the Stock Exchange:

Name of substantial Shareholder	Capacity and nature of interest	Number of Shares held (long position)	Number of underlying Shares held	Total	Approximate percentage of issued share capital of the Company
Mr. Ng Ian	Personal and interests in corporation	818,571,410 (note 1)	21,565,302 (note 2)	840,136,712	76.77%
Golden Tool	beneficial owner	805,527,527 (note 1)	—	805,527,527	73.61%

Notes:

- (1) Mr. Ng Ian is deemed to be interested in 818,571,410 shares which comprise an aggregate of (i) 805,527,527 Shares held by Golden Tool; (ii) 12,563,883 Shares held by Trade Icon; and (iii) 480,000 Shares directly held by Mr. Ng Ian. Both Golden Tool and Trade Icon both are wholly and beneficially owned by Mr. Ng Ian.
- (2) Mr. Ng Ian is deemed to be interested in 21,565,302 underlying Shares which comprise an aggregate of (i) 9,788,000 underlying Shares by his personal interests in 9,788,000 share options; and (ii) 11,777,302 underlying Shares through his controlled corporation, Superb, which is the beneficial owner of convertible notes.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no other person had 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 disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or which were otherwise notified to the Company and the Stock Exchange.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT

Save as disclosed above, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group since 31 March 2017, being the date to which the latest published audited consolidated accounts of the Group were made up.

6. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been 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 since 31 March 2017, being the date to which the latest published audited consolidated accounts of the Group were made up.

7. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, the following Directors (not being the independent non-executive Directors) are considered to have interests in the businesses which competed or were likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules as set out below:

Name/Entity	Competing entity	Nature of interest	Competing business
Mr. Ng Chun For, Henry and his associates	Certain private companies owned by Mr. Ng Chun For, Henry and his family	Shareholder/director	Commercial property development and investment
Mr. Ng Ian and his associates	Certain private companies owned by Mr. Ng Ian and his family	Shareholder/director	Residential and commercial property development and investment
Mr. Mak Wah Chi and his associates	Certain private companies owned by Mr. Mak Wah Chi and his family	Shareholder/director	Residential property investment

8. LITIGATION

On 21 November 2014, Land Base, the owner of a building named “L’hart” located at Nos. 487 and 489 Lockhart Road Hong Kong, which is built upon certain pieces of land including The Remaining Portion of Subsection 14 of Section A of Inland Lot No. 2836 (“Subsection 14”), received an originating summons issued by Tierra Trading Limited and Keep Forever Development Limited (the “Plaintiffs”), the owners of a building named “Kyoto Plaza” located at Nos. 491, 493, 495, 497 and 499 Lockhart Road, Hong Kong, which is built upon certain pieces of land, including Subsection 15 of Section A of Inland Lot No. 2836 (“Subsection 15”) against Land Base (as defendant) and filed with the High Court of the Hong Kong Special Administrative Region Court of First Instance.

The litigation relates to a dispute regarding the ownership of a strip of land (the “Disputed Area”) which is the common staircase located on Subsection 15, in between L’hart and Kyoto Plaza, which the Plaintiffs had not used since 1992. It is Land Base’s case that, since, the demolition of the old building on Subsection 14 and the construction of Kyoto Plaza which has been in use since 1992, Land Base’s predecessors in title had been in exclusive possession, management and control of the Disputed Area by using the common staircase and other parts of the Disputed Area for various purposes. Since Land Base became the registered owner of Subsection 14, it continued in exclusive possession, management and control of the Disputed Areas without interruption. Since the

development of the L'hart building, Land Base have, for safety, hygiene and aesthetic reasons, sealed off the Disputed Area by erecting a façade over the entrance to the Disputed Area from Lockhart Road forming part of L'hart.

The hearing was convened on 13 August 2015. On 21 August 2015, Recorder Cheng SC handed down a written decision refusing Land Base's application and acceding to the Plaintiffs' application to proceed in the form of Originating Summons and gave directions for the cross-examination of witnesses and the filing of a report by a single joint expert (the "Order"). The Order further provides for leave for filing a further Affirmation by Land Base ("2nd Affirmation").

On 4 September 2015, Land Base and the Plaintiffs agreed to jointly appoint Mr. Daniel Tong of Daniel Tong Chartered Architect and Associates Limited ("Mr. Tong") as single joint expert to opine on three issues.

On 15 September 2015, Land Base filed the 2nd Affirmation in reply to the 2nd Affirmation of Leung Mei Sze, following which neither party may file further affirmation evidence without leave of the court.

Land Base has requested that two additional issues (which only came in place after the filing of the 2nd Affirmation) be addressed by Mr. Tong. These relate to (1) the residual plot ratio of Subsection 15, and (2) whether the permissible plot ratio of the Kyoto Plaza development was in fact exceeded.

The Plaintiffs refused to include the additional issues and Land Base have on 7 October 2015 issued a summons for the matter to be heard before a judge. On 15 February 2016 Recorder Cheng SC handed down a written decision granting leave to include the first issue.

On 17 March 2016, joint instructions were sent to Mr. Tong, who has accordingly rendered his report on 13 April 2016.

The originating summons taken out by the Plaintiffs had been heard on 5, 6 and 9 June 2017 before Deputy High Court Judge Kenneth Kwok SC. He has reserved judgment to be handed down in due course.

Should the Plaintiffs succeed in the Action, they will (1) obtain a declaration that the right of way at the Disputed Area given in favour of Land Base's land has been extinguished; (2) regain possession of the Disputed Area; (3) be at liberty to demolish the structures at the Disputed Area; and (4) obtain legal costs from Land Base. All legal costs awarded by the court are subject to assessment/taxation by the court, which is usually around or no more 70% of the actual costs incurred.

If Land Base succeeds in defending the Action, it will get possessory title over the Disputed Area, meaning no one can disturb its possession or quiet enjoyment of or challenge its title to the Disputed Area, and legal costs.

After the hearing and from the response of the presiding judge, the legal team is of the view that the Plaintiffs' chance of success appears to be higher than Land Base. The judgment is expected to be handed down in around July/August 2017.

The Directors, based on legal advice, consider that the Plaintiff's chance of success appears to be higher than Land Base. Therefore, the Directors have prudently made a provision of approximately HK\$2,300,000 in relation to the legal costs expected to be obtained by the Plaintiff.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (a) the Sale and Purchase Agreement;
- (b) the sale and purchase agreement dated 25 May 2017 entered into among Asia Goal International Limited (an indirectly wholly-owned subsidiary of the Company) and an individual (who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, is a third party independent of the Company and its connected persons) in connection with the disposal of House No. 12 of Villa Bel-air, Bel-air on the Peak for a consideration of HK\$205,000,000;
- (c) the sale and purchase agreement dated 3 October 2015 entered into among the Company, Perfect Shield Investments Limited (a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company) ("Perfect Shield") and Superb Global Group Limited (a company incorporated in the BVI with limited liability and wholly-owned by Mr. Ng Ian) ("Superb Global") in relation to the acquisition of the shares in and debts of owed by Top Grade Properties Limited and the advancement by Perfect Shield to Top Grade to repay the bank loan and early repayment penalty owed by Top Grade Properties Limited for a consideration of HK\$135,550,000; and
- (d) the sale and purchase agreement dated 3 October 2015 entered into among the Company, Perfect Shield, Superb Global and Mr. Ng Ian in relation to the acquisition of the shares in and debt owed by Wealth Properties Limited and the advancement by Perfect Shield to Wealth Properties Limited to repay the bank loan and early repayment penalty owed by Wealth Properties Limited for a consideration of HK\$139,450,000.

10. QUALIFICATIONS AND CONSENTS OF EXPERTS

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

Name	Qualification
Savills Valuation and Professional Services Limited	Professional Surveyor and valuer

Savills Valuation and Professional Services Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report, letter and/or reference to its name or opinion in the form and context in which they respectively appear.

As at the Latest Practicable Date, Savills Valuation and Professional Services Limited was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Savills Valuation and Professional Services Limited did not, directly or indirectly, have any interest in any assets which had since 31 March 2017 (being the date to which the latest published audited consolidated results of the Group were made up) been 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.

11. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Lee Pui Lam. He is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Clarendon House 2 Church Street Hamilton HM 11 Bermuda.
- (c) The head office and principal place of business of the Company is situated at Suite 1711 Tower 2 Times Square 1 Matheson Street Causeway Bay Hong Kong.
- (d) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited at The Belvedere Building 69 Pitts Bay Road Pembroke HM08 Bermuda.
- (e) 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.
- (f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's head office and principal place of business in Hong Kong at Suite 1711 Tower Two Times Square 1 Matheson Street Causeway Bay, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including 22 August 2017:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for each of the three years ended 31 March 2015, 2016 and 2017;
- (c) the valuation report prepared by Savills Valuation and Professional Services Limited, the text of which is set out in Appendix II to this circular;
- (d) the written consent from the expert referred to in the section headed "Qualification and consent of expert" in this Appendix III;
- (e) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and
- (f) this circular.