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If you have sold or transferred all your shares in National Electronics Holdings Limited (the “**Company**”), you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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NATIONAL ELECTRONICS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 213)

**MAJOR TRANSACTION IN RELATION TO THE
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
BENTLEY INVESTMENTS LIMITED**

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DEFINITIONS

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

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| “Acquisition” | the acquisition of the Sale Shares and the Sale Loan by the Purchaser in accordance with the terms of the SPA |
| “Adjusted NAV” | has the meaning as defined in the “Consideration and payment terms” section |
| “Adjustments” | has the meaning as defined in the “Adjustment of Purchase Price” section |
| “Announcement” | the announcement of the Company dated 25 April 2016 in relation to the Acquisition |
| “Assignment of Mortgages” | has the meaning as defined in the “Assets to be acquired” section |
| “Bank Loans” | has the meaning as defined in the “Consideration and payment terms” section |
| “Board” | board of Directors |
| “BIL” | Bentley Investments Limited, a company incorporated in Hong Kong with limited liability and which is wholly-owned by the Vendor as at the Latest Practicable Date |
| “Circular” | the circular issued by the Company in accordance with the Listing Rules in respect of the Acquisition |
| “close associate(s)”, “connected person(s)”, “percentage ratio(s)” | has the meaning ascribed to such terms under the Listing Rules |
| “Business Day(s)” | a day other than a Saturday or Sunday or days on which a typhoon signal no.8 or above or black rainstorm signal is in force in Hong Kong at 10:00 a.m., on which banks are open in Hong Kong to the general public for business |
| “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 |
| “Companies Ordinance” | Companies ordinance (Chapter 622 of the Laws of Hong Kong) |

DEFINITIONS

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| “Completion” | the completion of the Acquisition in accordance with the terms of the SPA |
| “Completion Accounts” | the statement of financial position as at the close of business on the Completion Date for BIL prepared in accordance with the relevant requirements thereof set out in the SPA |
| “Completion Date” | 25 July 2016 or such other date as the Vendor and the Purchaser may agree in writing on which Completion takes place |
| “Completion Payment” | has the meaning as defined in the “Consideration and payment terms” section |
| “CPO” | Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong) |
| “Deloitte” | Deloitte Touche Tohmatsu |
| “Director(s)” | director(s) of the Company |
| “Deposits” | collectively, the Initial Deposit and the Further Deposit |
| “DTZ” | DTZ Cushman & Wakefield Limited |
| “Enlarged Group” | the Group as enlarged by the Acquisition |
| “Further Deposit” | has the meaning as defined in the “Consideration and payment terms” section |
| “Group” | the Company and its subsidiaries |
| “HLB” | HLB Hodgson Impey Cheng Limited |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “HSBC” | the Hongkong and Shanghai Banking Corporation Limited |
| “HSBC Loan” | the facility of up to HK\$212,000,000.00 granted by HSBC Private Bank (Suisse) SA to BIL which was subsequently assigned to HSBC and secured by (among others) the Mortgage and the Assignment of Mortgages and, where the context requires, the outstanding amount of the principal sum and any interest accrued thereon |

DEFINITIONS

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| “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 |
| “Initial Deposit” | has the meaning as defined in the “Consideration and payment terms” section |
| “Initial Purchase Price” | has the meaning as defined in the “Consideration and payment terms” section |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Latest Practicable Date” | 21 June 2016, being the latest practicable date prior to the printing of this Circular for ascertaining information contained herein |
| “Mortgage” | has the meaning as defined in the “Assets to be acquired” section |
| “MOU” | the memorandum of understanding dated 22 March 2016 entered into between the Purchaser and the Vendor in relation to the Acquisition |
| “Property” | the piece or parcel of ground registered in the Land Registry of Hong Kong as Rural Building Lot No. 801 together with all the messuage, erection and building thereon known as No. 3 South Bay Close, Hong Kong |
| “Property Market Value” | has the meaning as defined in the “Consideration and payment terms” section |
| “Purchaser” | Baldric Investments Limited, a company incorporated in the British Virgin Islands with limited liability and which is a wholly-owned subsidiary of the Company |
| “Purchase Price” | an amount equaled to the Initial Purchase Price as adjusted by the Adjustments |

DEFINITIONS

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| “Sale Loan” | the remaining outstanding amount (if any) of the Shareholder Loan following the repayments contemplated under the “Repayment of Loans” section |
| “Sale Loan Price” | has the meaning as defined in the “Consideration and payment terms” section |
| “Sale Shares” | 10,000 ordinary shares of BIL, representing the entire issued share capital of BIL as at the Latest Practicable Date |
| “Sale Shares Price” | has the meaning as defined in the “Consideration and payment terms” section |
| “Share(s)” | ordinary shares in the share capital of the Company |
| “Shareholders” | holders of the shares of the Company |
| “Shareholder Loan” | the loan owing by BIL to the Vendor immediately before Completion |
| “SPA” | the formal sale and purchase agreement dated 25 April 2016 entered into between the Vendor and the Purchaser in relation to the Acquisition |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Termination due to Non-Compliance” | has the meaning as defined in the “Completion” section |
| “Vendor” | Cornes Properties Limited, a company incorporated in Hong Kong with limited liability |
| “%” | per cent |

LETTER FROM THE BOARD

NATIONAL ELECTRONICS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 213)

Executive Directors:

Mr. Lee Yuen Ching, Jimmy
Mr. Lee Bon Chi, Loewe
Mr. Lee Yuen Kui, James
Mr. Lee Yuen Cheor, Edward
Mr. Wai Kwong Yuen, Ricky

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Non-executive Director:

Ms. Lee Yuen Yu, Dorathy

*Principal place of business
in Hong Kong*

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

Independent non-executive Director:

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

24 June 2016

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF BENTLEY INVESTMENTS LIMITED

1. INTRODUCTION

Reference is made to the Announcement.

Pursuant to the MOU, on 25 April 2016, the Purchaser, a wholly-owned subsidiary of the Company, entered into the SPA with the Vendor, pursuant to which the Vendor agreed to sell and assign, and the Purchaser agreed to purchase and take up the assignment of, the Sale Shares and the Sale Loan.

As the highest applicable percentage ratio in respect of the Acquisition is higher than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company has obtained written approval from a closely allied group of Shareholders which together held approximately 52.65% of the total issued share capital of the Company as at the Latest Practicable Date approving the Acquisition.

LETTER FROM THE BOARD

The purpose of this Circular is to provide you with, among other things, further information regarding the Acquisition.

2. THE SPA

The principal terms of the SPA are set out below:

Date: 25 April 2016
Parties: (1) Cornes Properties Limited, as vendor
(2) Baldric Investments Limited, as purchaser

The Vendor was introduced to the Company by the property agent handling the sale of the Property. To the best knowledge of the Directors having made all reasonable enquiries, the Vendor and its ultimate shareholder(s) are third parties independent of the Company and its connected persons, and none of the Vendor and/or its beneficial owners have any (prior or current) business relationships and/or other connections or relationships with the Company or any of its connected persons.

Assets to be acquired

Pursuant to the SPA, the Vendor agreed to sell and assign, and the Purchaser agreed to purchase and take up the assignment of, the Sale Shares and the Sale Loan.

BIL owns the entire interest in the Property. The Property is presently subject to a mortgage (“**Mortgage**”) in favour of HSBC Private Bank (Suisse) SA dated 1 February 2013 and an Assignment of Mortgages (“**Assignment of Mortgages**”) in favour of HSBC dated 1 November 2013, both of which will be released upon Completion.

In addition to the Mortgage and the Assignment of Mortgages, the Property is subject to certain existing tenancies. During the period between the execution of the SPA and Completion, the Vendor shall ensure that BIL shall not, among others, enter into, amend or terminate any tenancy, licence or lease agreement in respect of the Property (including the aforesaid existing tenancies) without the prior written approval of the Purchaser.

Consideration and payment terms

Subject to the Adjustments, the consideration payable by the Purchaser for the Acquisition is HK\$672,016,114.52 (the “**Initial Purchase Price**”), which shall be payable by the Purchaser to the Vendor in the following manner:

- (a) an initial deposit (“**Initial Deposit**”) in the amount of HK\$33,400,000 has been paid by the Purchaser to the Vendor’s solicitors upon the execution of and in accordance with the terms of the MOU, which was released to the Vendor upon the execution of the SPA and shall represent initial deposit and part payment of the Purchase Price;
- (b) a further deposit (“**Further Deposit**”) in the sum of HK\$33,400,000 has been paid by the Purchaser to the Vendor upon the execution of the SPA, which shall represent further deposit and part payment of the Purchase Price;

LETTER FROM THE BOARD

- (c) an amount equal to the balance of the Initial Purchase Price after deducting the Deposits (the “**Completion Payment**”) shall be paid by the Purchaser at Completion in accordance with the SPA; and
- (d) an amount in respect of the adjustment of the Initial Purchase Price shall be paid by the Purchaser or the Vendor (as the case may be) in accordance with the Adjustments.

The part of the Purchase Price equivalent to the amount of the Sale Loan (if any) shall be treated as consideration for the Sale Loan, and the balance of the Purchase Price after deducting the repayments set out in the “Repayment of Loans” section below (the “**Bank Loans**”) shall be the consideration for the Sale Shares. As at 29 February 2016, being the latest practicable date for the purpose of ascertaining the amount of the Sale Loan prior to the printing of this Circular, the amount of the Sale Loan (which shall be treated as the part of the Initial Purchase Price allocated as consideration for the Sale Loan) was approximately HK\$294,864,357 (the “**Sale Loan Price**”). Accordingly, the amount of the Initial Purchase Price allocated as consideration for the Sale Shares (which is equivalent to the balance of the Initial Purchase Price after deducting the Sale Loan Price and the amount of the Bank Loans, being approximately HK\$185,500,000 as at 29 February 2016) was approximately HK\$191,651,758 (the “**Sale Shares Price**”). The Sale Loan corresponds to the sum of the liability items “amount due to immediate holding company” and “other loans - due after one year” set out in the statements of financial position of the accountant’s report of BIL set out in Appendix III to this Circular, the latter liability item of which represents the amount owed by BIL to its fellow subsidiary, which amount will be assigned to the Vendor prior to Completion and which will form part of the Sale Loan (if any) at Completion..

The Purchase Price was determined after arm’s length negotiations with reference to the market value of the Property as at 25 April 2016 (being HK\$676,000,000) (the “**Property Market Value**”) as valued by DTZ and set out in Appendix II to this Circular. The net asset value of BIL (after adjusting the book value of the Property to the Property Market Value) (the “**Adjusted NAV**”) as at 29 February 2016, being the latest practicable date for the purpose of ascertaining the Adjusted NAV, was approximately HK\$199,651,757, which represents the difference between the total assets of BIL (comprising, among others, the Property at the Property Market Value) and the total liabilities of BIL (comprising, among others, the Sale Loan and the Bank Loans). Accordingly, the Sale Shares Price is approximately HK\$8,000,000 less than the Adjusted NAV, and represents a discount of approximately 4.17% to the Adjusted NAV. In view of the abovementioned discount together with the future income to be generated from the Property and likely positive impact on the future earnings of the Enlarged Group to be derived from the Acquisition (as further described in the “5. Financial Effects of the Acquisition” section), the Directors consider that the Initial Purchase Price (which comprises the Sale Shares Price and the Sale Loan Price) is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Adjustment of Purchase Price

- (a) The Purchase Price shall be subject to the following adjustments following agreement or determination of the Completion Accounts (the “Adjustments”):
- (i) an amount (if any) by which the net current asset value (determined by reference to the Completion Accounts) is more than HK\$4,016,114.52 shall be added to the Initial Purchase Price; or
 - (ii) an amount (if any) by which the net current asset value (determined by reference to the Completion Accounts) is less than HK\$4,016,114.52 shall be deducted from the Initial Purchase Price.
- (b) Within 5 Business Days after agreement or determination of the Completion Accounts:
- (i) if the Initial Purchase Price is increased pursuant to paragraph (a)(i) above, the Purchaser shall pay to the Vendor the amount of the increase; or
 - (ii) the Initial Purchase Price is reduced pursuant to paragraph (a)(ii) above, the Vendor shall pay to the Purchaser the amount of the reduction.

Default Interest

If the Vendor or the Purchaser fails to pay any sum due and payable by it under the SPA on the due date of payment, such defaulting party shall pay interest at the rate of 3% per annum above the prime rate of HSBC in Hong Kong dollars from time to time on the outstanding sum from the due date of payment until the actual date of payment.

Repayment of Loans

In respect of the payment of the Completion Payment, the Purchaser shall pay, or procure to be paid, out of the Completion Payment, as repayment on behalf of BIL, no later than upon Completion:

- (i) in favour of HSBC, Hong Kong Private Banking Division for the account of BIL, such amount equivalent to the amount of the total redemption money in respect of the HSBC Loan as at the Completion Date for the release or discharge of the securities thereunder (including, among others, the Mortgage and Assignment of Mortgages);
- (ii) in favour of the Vendor, such amount (as the Purchaser may decide in its sole discretion and the Purchaser shall notify the Vendor of such decision no later than 5 Business Days before the Completion Date) as repayment of the Shareholder Loan in full or in part; and
- (iii) in favour of the Vendor, the remainder of the Completion Payment,

LETTER FROM THE BOARD

provided that, no later than 10 Business Days before the Completion Date, the Vendor shall notify the Purchaser of:

- (a) the amount of the total redemption money in respect of the HSBC Loan payable to HSBC as at the Completion Date for the release or discharge of the securities thereunder (including, among others, the Mortgage and Assignment of Mortgages), and shall provide a copy of HSBC's confirmation of such amount to the Purchaser; and
- (b) the amount of the Shareholder Loan, and shall provide such documentary evidence as the Purchaser may reasonably require to verify such amount.

Conditions precedent and warranties

Completion is conditional upon the following conditions being satisfied (or waived) on or before the Completion Date:

- (i) BIL being able to show and give a good title to the Property in accordance with sections 13 and 13A of the CPO, provided that, upon the execution of the SPA, the Purchaser has been deemed to have accepted BIL's title to the Property as at the date of the SPA, and this condition shall be deemed to have been satisfied to the extent of such acceptance of title, but without prejudice to the Purchaser's rights to raise requisitions or objections on any encumbrance or title deeds and documents of the Property which is/are created or arises out of events occurring after the date of the SPA but before Completion that may affect title to the Property; and
- (ii) the representations and warranties given by the Vendor to the Purchaser set out in the SPA remaining true in all respects before and on the date on which Completion would otherwise have taken place if it were not for this condition, except for breaches of such representations and warranties that have not had and would not reasonably be expected to have a material adverse effect on the business, operations or financial position of BIL and/or the Property taken as a whole (subject to certain exceptions).

The Purchaser may, to such extent as it thinks fit and is legally entitled to do so, at any time waive in writing any of the above conditions precedent. As at the Latest Practicable Date, the Purchaser has not waived and does not have any current intention to waive any of the above conditions precedent. Therefore, it is expected that the above will not have any impact or effect on the substance of the SPA.

Specific Indemnities

The Vendor has undertaken to pay to and indemnify the Purchaser in respect of any and all losses which may be incurred by any of the Purchaser or BIL arising out of or in connection with:

- (i) any outstanding structural engineering services fee incurred by BIL during the development of the Property up to HK\$203,175;

LETTER FROM THE BOARD

- (ii) any outstanding compensation payable to the former tenant in respect of a certain unit in the Property up to HK\$5,000; and
- (iii) any outstanding security deposit payable to the former tenants in respect of the 1st Floor and 2nd Floor of the Property up to HK\$170,494.22 in the aggregate,

in each case, to the extent the relevant amount(s) have not been included in the Completion Accounts as liabilities.

Completion

Subject to the satisfaction (or waiver, if applicable) of the conditions precedent set out above, Completion shall take place on the Completion Date, or on such other date as the Vendor and Purchaser may agree in writing. Upon Completion, the Purchaser will become the sole legal and beneficial owner of the Sale Shares and the Sale Loan.

Neither the Purchaser nor the Vendor is obliged to complete the Acquisition unless the sale and purchase of the Sale Shares and the assignment of the Sale Loan are completed simultaneously.

Neither the Purchaser nor the Vendor is obliged to complete the Acquisition or perform any obligations under the SPA unless the other party complies fully with the requirements in respect of Completion set out in the SPA. If the respective obligations of the Purchaser and the Vendor are not complied with on the Completion Date, the Purchaser or the Vendor may, by notice to the other party who is unable or unwilling to comply with its obligations under the SPA: (i) postpone Completion to a date (being a Business Day) falling not more than 20 Business Days after the date set for Completion; (ii) proceed to Completion as far as practicable; or (iii) terminate the SPA (“**Termination due to Non-Compliance**”).

Termination and refund/forfeiture of the Deposits

If the Purchaser or Vendor elects to terminate the SPA in accordance with the terms thereof, then all rights and obligations of the parties to the SPA shall cease immediately upon such termination, except that:

- (i) if the Purchaser elects to terminate the SPA due to the non-fulfilment of conditions precedent or Termination due to Non-Compliance (such non-compliance being caused by the Vendor), then the Vendor shall within 5 Business Days after the date set for Completion return all Deposits paid by the Purchaser without any interest or cost; and
- (ii) if the Vendor elects to terminate the SPA in accordance with Termination due to Non-Compliance (such non-compliance being caused by the Purchaser), then the Deposits shall be forfeited to the Vendor on the date set for Completion.

LETTER FROM THE BOARD

3. INFORMATION OF BIL AND THE PROPERTY

BIL is an investment holding company. Set out below is the audited information of BIL for the financial years ended 31 December 2014 and 2015 respectively, extracted from its audited financial statements, prepared in accordance with the Hong Kong Financial Reporting Standards:

| | For the financial year ended 31 December 2014 <i>(Audited)</i> <i>HK\$'000</i> | For the financial year ended 31 December 2015 <i>(Audited)</i> <i>HK\$'000</i> |
|----------------------------|---|---|
| Revenue | 12,053 | 13,036 |
| Net profit before taxation | 13,665 | 5,680 |
| Net profit after taxation | 13,665 | 5,680 |

The unaudited total assets and the net asset value of BIL as at 29 February 2016 were approximately HK\$570,769,000 and HK\$86,105,000 respectively.

The Property is an 8-storey residential block accommodating 10 typical residential units and 2 duplex units, and includes a swimming pool and car parking spaces on the ground floor.

As at the Latest Practicable Date, save for two residential units on the 5th Floor and 6th Floor respectively and three car parking spaces, all the remaining residential units were leased. The Company intends to hold the Property for long-term investment through receiving rental income from the tenants of the Property.

4. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Property is being acquired for long-term investment purpose by way of receiving rental income from the tenants of the Property. The Directors consider that the acquisition of the Property through the Acquisition and its development will enable the Group to enlarge its properties portfolio with high quality assets and the Group's property business portfolio will be strengthened and enhanced.

The Directors consider that the Acquisition is on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Group intends to finance the Acquisition by bank financing (as to approximately HK\$191,000,000) and internal resources (as to approximately HK\$487,000,000).

5. FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, BIL will become an indirect wholly-owned subsidiary of the Company. The financial results of BIL will be consolidated with those of the Group in accordance with applicable accounting standards.

LETTER FROM THE BOARD

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to this Circular, assuming that Completion had taken place on 30 September 2015, the total assets of the Group would increase by approximately HK\$188,648,000 to approximately HK\$5,990,055,000. The total liabilities of the Group would increase by approximately HK\$194,648,000 to approximately HK\$4,273,169,000.

In light of the future income from the existing and future tenancies in the Property (with reference to increasing trend of rental income derived from the Property as shown in the accountant's report of BIL as set out in Appendix III to this Circular), the Directors are of the view that the Acquisition will be likely to have a positive impact on the future earnings of the Enlarged Group in the long run.

6. INFORMATION OF THE COMPANY, THE PURCHASER 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, property investment and hotel operation.

Information of the Purchaser

The Purchaser is an investment holding company incorporated in the British Virgin Islands, and is a wholly-owned subsidiary of the Company.

Information of the Vendor

The Vendor is an established real estate corporation which established its presence in Hong Kong in 1995 and specialises in investing, developing and renovating a wide range of premium properties in both Hong Kong and Shanghai, which include residential, hotel/serviced apartments, retail, industrial, and office typologies.

7. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisition is higher than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholders of the Company or any of their respective close associates have any material interest in the Acquisition. As such, no Shareholders of the Company 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.

LETTER FROM THE BOARD

The Company has a closely allied group of Shareholders which together hold approximately 52.65% 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 has obtained written approval from Brentford Investments Limited which held 260,813,276 Shares as at the Latest Practicable Date (representing approximately 25.60% of the issued share capital of the Company), and from Fenmore Investments Limited which held 275,701,618 Shares as at the Latest Practicable Date (representing approximately 27.05% of the issued share capital of the Company), for the approval of the Acquisition. The said 260,813,276 Shares held by Brentford Investments Limited are part of the property of a discretionary trust of which each of Messrs. James Lee Yuen Kui and Edward Lee Yuen Cheor is named beneficiary. The said 275,701,618 Shares held by Fenmore Investments Limited are part of the property of a discretionary trust of which Mr. Jimmy Lee Yuen Ching and his family members including Mr. Loewe Lee Bon Chi's family members are named beneficiaries. Messrs. James Lee Yuen Kui and Edward Lee Yuen Cheor are brothers and they are cousins of Mr. Jimmy Lee Yuen Ching, who is the father of Mr. Loewe Lee Bon Chi. As such, no general meeting will be convened by the Company to approve such matters.

If, despite the said written approval from Brentford Investments Limited and Fenmore Investments Limited 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.

8. ADDITIONAL INFORMATION

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

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

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

1. FINANCIAL INFORMATION OF THE GROUP

Audited financial information of the Group for each of the three years ended 31 March 2013, 2014 and 2015 are disclosed in the annual reports of the Company for the years ended 31 March 2013, 2014 and 2015 respectively which were published on both the website of the Stock Exchange (www.hkex.com.hk) and the designated website of the Company (<http://www.irasia.com/listco/hk/national/index.htm>).

Interim financial information of the Group for the six-month ended 30 September 2015 is disclosed in the interim report of the Company for the six-month ended 30 September 2015, which was published on both the website of the Stock Exchange (www.hkex.com.hk) and the designated website of the Company (<http://www.irasia.com/listco/hk/national/index.htm>).

The Directors are of the opinion that there is not any material adverse change in the financial or trading position of the Group since the date to which the latest published audited accounts of the Company have been made up.

2. INDEBTEDNESS OF THE ENLARGED GROUP

As at 30 April 2016, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this Circular, the Enlarged Group had outstanding bank borrowings of approximately HK\$2,848 million (of which HK\$2,172 million was secured by fixed charges on certain of the Group's assets with net book value of approximately HK\$4,028 million, including properties) 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\$29 million and contingent liabilities in respect of guarantees given to third parties of approximately HK\$0.6 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.

3. WORKING CAPITAL OF THE ENLARGED GROUP

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

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Watches and Watch Components

During the six months ended 30 September 2015, the turnover of the Group's watch manufacturing and watch component trading division decreased slightly as compared with the same period in 2014 while maintaining its profit margin.

The European economic environment remains weak and the decrease of GDP growth in China, coupled with a slower than expected demand for multi-function analogue watches in the U.S. will pose challenges to sales in the coming year. The management will focus on further streamlining its production facilities to reduce cost and the marketing of smart watches and other outdoor electronics products with a more mass appeal.

Property Development and Investment

In respect of the property development and investment business, both the turnover and profit figures have decreased in the six months ended 30 September 2015 due to the lack of significant disposal of the Group's property.

Tania Investments Limited, a wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement with Malibu Development Holdings Limited on 15 December 2015 in respect of the sale and purchase of shares, representing 50% of the issued share capital of Tania Investments Holdings Limited for a consideration of 50% of the aggregate of HK\$1,582,828,282 and the adjusted net asset value of Tania Investments Holdings Limited and Tania Development Limited as at 29 January 2016. Tania Development Limited is the owner of No.45 Tai Tam Road, Hong Kong. The construction work for this site is progressing well and targeted to be completed by the end of 2016. The Group is planning for an exceptionally designed and luxurious interior fit out programme in the first half of 2017.

The boutique office building at 7 St Thomas, Toronto, Canada will be completed by the end of 2016.

The Group is working on the detailed architectural and interior design of the first phase residential tower at our 88 Queen Street East project in Toronto, Canada, Pre-sales preparation for this phase is underway and is anticipated to begin in the first half of 2016.

Hotel Operation

Due to the acquisition of 99 Bonham in June 2014 and The Jervois in October 2014, the sales revenue of the Group's hotel operation division for the six months ended 30 September 2015 increased significantly as compared with the same period last year.

The recent reduction in the number of tourists from China to Hong Kong has had an impact on most hotels in the region but the effect on the Group's boutique hotel business has been quite limited as the Group caters more to business and professional clients as well as international travelers and the Group expects our occupancy rate to remain satisfactory.

The following is the text of the letter and valuation certificate in relation to the Property received from DTZ Cushman & Wakefield Limited, an independent property valuer, prepared for the purpose of incorporation in this circular.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

The Directors
Baldric Investments Limited
Suite 3201, Gloucester Tower, The Landmark
11 Pedder Street, Central
Hong Kong

21 June 2016

Dear Sirs,

RE: NO. 3 SOUTH BAY CLOSE, REPULSE BAY, HONG KONG.

Instructions, Purpose & Date of Valuation

We refer to your instructions for us to carry out a market valuation of the property for sale and purchase purpose. 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 value of the property as at 25 April 2016 (the “**date of valuation**”).

Basis of Valuation

Our valuation of the property represents its market value which in accordance with the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

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 considerations 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, restrictions and outgoings of any onerous nature which could affect its value.

In valuing the property, we have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities published by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Method of Valuation

We have valued the property by investment approach on the basis of capitalization of net income provided to us with due allowance for outgoings and reversionary income potential. The result is counter-checked 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 your Company and have accepted advice given to us on such matters as 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 Registry. However, we have not searched the original documents to verify ownership or to ascertain any amendment. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

Our valuer, Mr. Gary Lai, inspected the property in April 2016. We have inspected the exterior and where is possible, the interior of the property. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defects. No test was carried out on any of the services.

Our valuation certificate is hereby enclosed for your attention.

Yours faithfully,
For and on behalf of
DTZ Cushman & Wakefield Limited

Ho Siu Wa
Registered Professional Surveyor
(*General Practice*)
MHKIS, MRICS
Senior Director

Note: Mr. Ho Siu Wa is a Registered Professional Surveyor who has over 31 years' experience in the valuation of properties in Hong Kong.

VALUATION CERTIFICATE

Property held by BIL in Hong Kong for investment

| Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 25 April 2016 |
|--|--|--|--|
| No. 3 South Bay Close, Repulse Bay, Hong Kong. | No. 3 South Bay Close is an 8-storey residential block accommodating 10 typical residential units and 2 duplex units. | As at the date of valuation, Unit B on 6th Floor and | HK\$676,000,000 |
| Rural Building Lot No. 801. | Swimming pool and car parking spaces are also provided on ground floor. The building was completed in 2002 with Occupation Permit No. HK44/2002 issued on 1 November 2002. The gross floor area of the property is 2,470.974 sq.m. (26,598 sq.ft.) excluding caretaker's quarter of 23.341 sq.m. (251 sq.ft.). The locality is characterized by a mixture of garden houses and high-rise residential developments of various ages. The property is held from the Government under Government Lease for a term of 75 years from 23 September 1963 renewable for a further term of 75 years. The current Government Rent payable for the lot is HK\$348.00 per annum. | Carpark Space No. 14 were vacant whilst the remaining units were leased to various tenants at an aggregated rent of HK\$1,086,000 per month with the latest tenancy due to expire on 31 December 2017, inclusive of rates and management fees. | |

Notes:

- (1) The registered owner of the property is BIL (i.e. Bentley Investments Limited).
- (2) The property is subject to a Modification Letter with plan vide Memorial No. UB7966045 dated 11 January 2000.
- (3) The property is subject to a Modification Letter with plan vide Memorial No. UB9001481 dated 4 September 2003.
- (4) The property is subject to a Mortgage in favour of HSBC Private Bank (Suisse) SA to secure all moneys in respect of general banking facilities and interest thereon vide Memorial No. 13021802430022 dated 1 February 2013.
- (5) The property is subject to an Assignment of Mortgages in favour of The Hongkong and Shanghai Banking Corporation Limited by HSBC Private Bank (Suisse) SA (Formerly known as HSBC Republic Bank (Suisse) SA and further formerly known as HSBC Bank (Suisse) SA) vide Memorial No. 13111202470088 dated 1 November 2013.
- (6) The property is zoned for "Residential (Group C) 6" under Shouson Hill and Repulse Bay Outline Zoning Plan No. S/H17/13 dated 5 November 2013.



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

June 24, 2016

The Directors
National Electronics Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Bentley Investments Limited (“BIL”) for each of the three years ended December 31, 2015 (the “Relevant Periods”) for inclusion in the circular of National Electronics Holdings Limited (the “Company”) dated June 24, 2016 in connection with the major transaction in relation to the acquisition of the entire issued share capital of BIL (the “Acquisition”) (the “Circular”).

BIL was incorporated as a private company with limited liability in Hong Kong on May 7, 1997 and is principally engaged in the business of property investment.

BIL has adopted December 31 as its financial year end date.

The statutory financial statements of BIL for each of three years ended December 31, 2015 (the “Underlying Financial Statements”) were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and were audited by us.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of BIL for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to be made to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of BIL who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 2 below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial positions of BIL as at December 31, 2013, 2014 and 2015 and of its financial performance and cash flows for the Relevant Periods.

A. FINANCIAL INFORMATION

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | <i>NOTES</i> | 2013 <i>HK\$</i> | 2014 <i>HK\$</i> | 2015 <i>HK\$</i> |
|--|--------------|----------------------------|----------------------------|----------------------------|
| Revenue | 7 | 10,744,796 | 12,052,634 | 13,036,194 |
| Direct costs | | <u>(2,956,932)</u> | <u>(3,338,007)</u> | <u>(2,930,295)</u> |
| | | 7,787,864 | 8,714,627 | 10,105,899 |
| Other income | 8 | 6,889 | 16,920 | 194,986 |
| Administrative expenses | | (1,412,704) | (1,396,624) | (1,234,046) |
| Increase in fair value of investment properties | 13 | 9,106,670 | 10,118,970 | 399,176 |
| Finance costs | 9 | <u>(2,763,764)</u> | <u>(3,788,644)</u> | <u>(3,785,668)</u> |
| Profit before taxation | 10 | 12,724,955 | 13,665,249 | 5,680,347 |
| Taxation | 11 | <u>—</u> | <u>—</u> | <u>—</u> |
| Profit and total comprehensive income for the year | | <u>12,724,955</u> | <u>13,665,249</u> | <u>5,680,347</u> |
| Earnings per share | 12 | <u>1,272</u> | <u>1,367</u> | <u>568</u> |

STATEMENTS OF FINANCIAL POSITION

| | <i>NOTES</i> | 2013 <i>HK\$</i> | 2014 <i>HK\$</i> | 2015 <i>HK\$</i> |
|---|--------------|----------------------------|----------------------------|----------------------------|
| ASSETS | | | | |
| Non-current Assets | | | | |
| Investment properties | 13 | 550,000,000 | 561,000,000 | 562,000,000 |
| Property, plant and equipment | 14 | <u>443,196</u> | <u>543,708</u> | <u>637,744</u> |
| | | <u>550,443,196</u> | <u>561,543,708</u> | <u>562,637,744</u> |
| Current Assets | | | | |
| Other debtors, deposits and prepayments | | 671,640 | 705,503 | 1,006,878 |
| Bank time deposits over three months | 15 | — | 6,121,204 | 6,137,889 |
| Bank balance | 15 | <u>12,865,898</u> | <u>7,607,885</u> | <u>6,884,939</u> |
| | | <u>13,537,538</u> | <u>14,434,592</u> | <u>14,029,706</u> |
| Total Assets | | <u><u>563,980,734</u></u> | <u><u>575,978,300</u></u> | <u><u>576,667,450</u></u> |
| EQUITY AND LIABILITIES | | | | |
| Capital and Reserve | | | | |
| Share capital | 16 | 10,000 | 10,000 | 10,000 |
| Retained profits | | <u>66,031,353</u> | <u>79,696,602</u> | <u>85,376,949</u> |
| | | <u>66,041,353</u> | <u>79,706,602</u> | <u>85,386,949</u> |
| Non-current Liability | | | | |
| Other loans - due after one year | 17 | <u>118,000,000</u> | <u>73,000,000</u> | <u>78,000,000</u> |
| Current Liabilities | | | | |
| Bank loan - due within one year | 18 | 205,000,000 | 201,400,000 | 190,800,000 |
| Other loans - due within one year | 17 | 53,000,000 | 5,000,000 | — |
| Amount due to immediate holding company | 19 | 118,347,026 | 212,804,969 | 218,632,978 |
| Tenants' deposits received | | 1,627,000 | 2,032,000 | 2,366,000 |
| Creditors and accruals | | 1,414,855 | 1,509,729 | 1,037,883 |
| Rental received in advance | | <u>550,500</u> | <u>525,000</u> | <u>443,640</u> |
| | | <u>379,939,381</u> | <u>423,271,698</u> | <u>413,280,501</u> |
| Total Equity and Liabilities | | <u><u>563,980,734</u></u> | <u><u>575,978,300</u></u> | <u><u>576,667,450</u></u> |

STATEMENTS OF CHANGES IN EQUITY

| | Share capital <i>HK\$</i> | Retained profits <i>HK\$</i> | Total <i>HK\$</i> |
|--|---|--|-----------------------------|
| At January 1, 2013 | 10,000 | 53,306,398 | 53,316,398 |
| Profit and total comprehensive income for the year | <u>—</u> | <u>12,724,955</u> | <u>12,724,955</u> |
| At December 31, 2013 | 10,000 | 66,031,353 | 66,041,353 |
| Profit and total comprehensive income for the year | <u>—</u> | <u>13,665,249</u> | <u>13,665,249</u> |
| At December 31, 2014 | 10,000 | 79,696,602 | 79,706,602 |
| Profit and total comprehensive income for the year | <u>—</u> | <u>5,680,347</u> | <u>5,680,347</u> |
| At December 31, 2015 | <u>10,000</u> | <u>85,376,949</u> | <u>85,386,949</u> |

STATEMENTS OF CASH FLOWS

| | 2013 HK\$ | 2014 HK\$ | 2015 HK\$ |
|---|--------------------------|-------------------------|-------------------------|
| OPERATING ACTIVITIES | | | |
| Profit before taxation | 12,724,955 | 13,665,249 | 5,680,347 |
| Adjustments for: | | | |
| Depreciation | 101,072 | 155,640 | 169,411 |
| Finance costs | 2,763,764 | 3,788,644 | 3,785,668 |
| Increase in fair value of investment properties | (9,106,670) | (10,118,970) | (399,176) |
| Interest income | (6,889) | (16,911) | (16,780) |
| Loss on disposal of property, plant and equipment | 15,891 | 7,839 | 4,788 |
| | <u>6,492,123</u> | <u>7,481,491</u> | <u>9,224,258</u> |
| Operating cash flows before movements in working capital | 6,492,123 | 7,481,491 | 9,224,258 |
| Increase in other debtors, deposits and prepayments | (27,734) | (33,863) | (301,375) |
| (Decrease) increase in tenants' deposits received | (556,000) | 405,000 | 334,000 |
| Increase (decrease) in creditors and accruals | 1,427,777 | (45,570) | 293,604 |
| Increase (decrease) in rental received in advance | 80,000 | (25,500) | (81,360) |
| | <u>7,416,166</u> | <u>7,781,558</u> | <u>9,469,127</u> |
| NET CASH FROM OPERATING ACTIVITIES | <u>7,416,166</u> | <u>7,781,558</u> | <u>9,469,127</u> |
| INVESTING ACTIVITIES | | | |
| Interest income | 6,889 | 16,911 | 16,780 |
| Purchase of property, plant and equipment | (398,447) | (263,991) | (268,235) |
| Additions to investment properties | (893,330) | (881,030) | (600,824) |
| Placement of bank time deposits with original maturity of more than three months | — | (6,121,204) | (6,137,889) |
| Withdrawal of bank time deposits with original maturity of more than three months | — | — | 6,121,204 |
| | <u>(1,284,888)</u> | <u>(7,249,314)</u> | <u>(868,964)</u> |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(1,284,888)</u> | <u>(7,249,314)</u> | <u>(868,964)</u> |
| FINANCING ACTIVITIES | | | |
| New bank loan raised | 205,000,000 | — | — |
| Repayment of bank loan | — | (3,600,000) | (10,600,000) |
| Repayments of other loans | — | (93,000,000) | — |
| (Repayment to) advance from immediate holding company | (199,276,035) | 94,457,943 | 5,828,009 |
| Interest paid | (3,454,056) | (3,648,200) | (4,551,118) |
| | <u>2,269,909</u> | <u>(5,790,257)</u> | <u>(9,323,109)</u> |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES | <u>2,269,909</u> | <u>(5,790,257)</u> | <u>(9,323,109)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 8,401,187 | (5,258,013) | (722,946) |
| CASH AND CASH EQUIVALENTS AT JANUARY 1 | <u>4,464,711</u> | <u>12,865,898</u> | <u>7,607,885</u> |
| CASH AND CASH EQUIVALENTS AT DECEMBER 31, represented by bank balance | <u><u>12,865,898</u></u> | <u><u>7,607,885</u></u> | <u><u>6,884,939</u></u> |

NOTES TO THE FINANCIAL INFORMATION**1. GENERAL**

BIL is a private limited liability company incorporated in Hong Kong. The immediate holding company is Cornes Properties Limited, a private limited liability company incorporated in Hong Kong. The directors consider the ultimate holding company is Carlington Nominees Limited, a private limited liability company incorporated in the British Virgin Islands.

The address of the registered office and principal place of business of BIL is 10/F, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.

The principal activity of BIL is property investment.

The Financial Information are presented in Hong Kong dollars, which is also the functional currency of BIL.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

In preparing the Financial Information of BIL, the directors of BIL have given careful consideration to the future liquidity of BIL, in view of the fact that BIL's current liabilities exceed its current assets by HK\$399,250,795 as at December 31, 2015. The directors of BIL are satisfied that BIL will have sufficient funds to meet in full its financial obligations as they fall due for the foreseeable future, after taking into consideration that the immediate holding company has agreed to provide adequate funds to BIL to meet in full its financial obligations up to the date of the completion of the Acquisition. Moreover, upon completion of the Acquisition, the Company will provide financial support to BIL to meet in full its financial obligations as they fall due in the foreseeable future.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

For the purposes of preparing and presenting the Financial Information for the Relevant Periods, BIL has consistently applied all the HKFRSs which are effective for the BIL's accounting period beginning on January 1, 2015 throughout the Relevant Periods.

BIL has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

| | |
|---|--|
| Amendments to HKFRSs HKFRS 9 | Annual Improvements to HKFRSs 2012 - 2014 Cycle ¹ Financial Instruments ² |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception ¹ |

| | |
|--|--|
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendments to HKFRS 11 HKFRS 15 HKFRS 16 | Accounting for Acquisitions of Interests in Joint Operations ¹ Revenue from Contracts with Customers ² Leases ⁴ |
| Amendments to HKAS 1 | Disclosure Initiative ¹ |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation ¹ |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants ¹ |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements ¹ |

¹ Effective for annual periods beginning on or after January 1, 2016

² Effective for annual periods beginning on or after January 1, 2018

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after January 1, 2019

The directors of BIL do not expect the above new and revised HKFRSs will have a material impact on the amounts reported and disclosures made in the BIL's financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and complied with the Hong Kong Companies Ordinance.

The Financial Information have been prepared on the historical cost basis except for investment properties which are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, BIL takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Revenue recognition

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to BIL and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

BIL's policy for recognition of revenue from operating leases is described in the accounting policy below.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment are stated in statements of financial position at cost less, subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment losses on tangible assets

At the end of each reporting period, BIL reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when BIL becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

BIL's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including other debtors, bank time deposits over three months and bank balance) are measured at amortised cost using the effective interest method, less any impairment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amounts of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other debtors, where the carrying amount is reduced through the use of an allowance account. When a debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by BIL are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of BIL after deducting all of its liabilities. Equity instruments issued by BIL are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including bank and other loans, amount due to immediate holding company and creditors) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

BIL derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

BIL derecognises financial liabilities when, and only when, BIL's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leasing

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profit differs from 'profit before taxation' as reported in the statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. BIL's current tax is calculated using tax rate that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate and tax laws that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which BIL expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred taxes for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of BIL's accounting policies, which are described in note 4, the directors of BIL are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimates (see below), that the directors have made in the process of applying BIL's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed BIL's investment property portfolios and concluded that BIL's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring BIL's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, BIL has not recognised any deferred taxes on changes in fair value of investment properties as BIL is not subject to any income taxes on disposal of its investment properties.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Investment properties

BIL's investment properties are measured at fair value for financial reporting purposes. In estimating the fair value of the investment properties, the management of BIL uses market-observable data to the extent it is available. Where Level 1 inputs are not available, BIL engages third party qualified valuers to perform the valuation. At the end of each reporting period, the management of BIL works closely with the qualified external valuers to establish and determine the appropriate valuation

techniques and inputs for Level 2 and Level 3 fair value measurements. The management of BIL will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the management of BIL will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the investment properties, the causes of the fluctuations will be reported to the directors of BIL.

Information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the investment properties are disclosed in note 13.

Income taxes

As at 31 December 2013, 2014 and 2015, a deferred tax asset of HK\$9,844,771, HK\$10,692,545 and HK\$11,545,846 has been recognised in respect of unused tax loss in the statement of financial position. No deferred tax asset has been recognised on the remaining tax losses of HK\$166,626,000, HK\$162,961,000 and HK\$157,872,000 as at 31 December 2013, 2014 and 2015 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

6. SEGMENTAL REPORTING

Operating segments are identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker, which is the directors, in order to allocate resources to segments and to assess their performance.

BIL owns one investment property at 31 December 2013, 2014 and 2015 which is located in Hong Kong. Revenue from such property (which constitutes an operating segment) is the measure reported to the directors for the purposes of resource allocation and performance assessment. The accounting policies of the operating segment are same as BIL's accounting policies. The directors consider that the existing property held by BIL consisting of residential units and car parks, have similar economic characteristics and have similar nature in providing leasing service to similar type of tenants for rental income. In addition, the cost structure and the economic environment in which they operate are similar. Therefore, the directors concluded that the activities of property investment constitute a single operating and reportable segment and no further analysis of segment information is presented.

All non-current assets and revenue are derived in Hong Kong.

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers during the Relevant Periods individually contributing over 10% of the total revenue of BIL is as follows:

| | 2013 | 2014 | 2015 |
|------------|------------------|------------------------|------------------------|
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| Customer A | N/A ¹ | 2,400,000 | 2,400,000 |
| Customer B | N/A ¹ | N/A ¹ | 1,920,000 |
| Customer C | 1,199,032 | N/A ¹ | N/A ¹ |
| Customer D | <u>1,128,000</u> | <u>N/A¹</u> | <u>N/A¹</u> |

¹ The corresponding revenue did not contribute over 10% of the total revenue of BIL for the Relevant Periods.

7. REVENUE

Revenue represents the gross rental income from investment properties.

8. OTHER INCOME

| | 2013 | 2014 | 2015 |
|----------------------------------|--------------|---------------|----------------|
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| Interest earned on bank deposits | 6,889 | 16,911 | 16,780 |
| Sundry income | <u>—</u> | <u>9</u> | <u>178,206</u> |
| | <u>6,889</u> | <u>16,920</u> | <u>194,986</u> |

9. FINANCE COSTS

| | 2013 | 2014 | 2015 |
|-------------------------|------------------|------------------|------------------|
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| Interest on bank loan | 559,517 | 2,741,282 | 2,719,084 |
| Interest on other loans | <u>2,204,247</u> | <u>1,047,362</u> | <u>1,066,584</u> |
| | <u>2,763,764</u> | <u>3,788,644</u> | <u>3,785,668</u> |

10. PROFIT BEFORE TAXATION

| | 2013 | 2014 | 2015 |
|---|--------------------|--------------------|--------------------|
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| Profit before taxation is arrived at after charging: | | | |
| Auditor's remuneration | 35,500 | 36,500 | 37,500 |
| Directors' remuneration | — | — | — |
| Depreciation | 101,072 | 155,640 | 169,411 |
| Loss on disposal of property, plant and equipment | <u>15,891</u> | <u>7,839</u> | <u>4,788</u> |
| and crediting: | | | |
| Gross rent from investment properties | 10,744,796 | 12,052,634 | 13,036,194 |
| Less: direct operating expenses incurred for investment properties that generated rental income during the year | <u>(2,855,860)</u> | <u>(3,182,367)</u> | <u>(2,760,884)</u> |
| Net rental income | <u>7,888,936</u> | <u>8,870,267</u> | <u>10,275,310</u> |

11. TAXATION

No provision for Hong Kong Profits Tax has been made in the Financial Information for the Relevant Periods as BIL incurred tax losses for the Relevant Periods.

Taxation for the Relevant Periods can be reconciled from the profit before taxation per the statements of profit or loss and other comprehensive income as follows:

| | 2013 <i>HK\$</i> | 2014 <i>HK\$</i> | 2015 <i>HK\$</i> |
|--|----------------------------|----------------------------|----------------------------|
| Profit before taxation | <u>12,724,955</u> | <u>13,665,249</u> | <u>5,680,347</u> |
| Tax at the Hong Kong Profits Tax rate of 16.5% | 2,099,617 | 2,254,766 | 937,257 |
| Tax effect of income not taxable for tax purpose | (1,503,737) | (1,672,420) | (97,589) |
| Tax effect of expense not deductible for tax purpose | 21,450 | 22,275 | — |
| Recognition of deferred tax assets on tax losses previously not recognised | <u>(617,330)</u> | <u>(604,621)</u> | <u>(839,668)</u> |
| Taxation for the year | <u>—</u> | <u>—</u> | <u>—</u> |

Details of deferred taxation is set out in note 20.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owner of BIL is based on the following data:

| | 2013 <i>HK\$</i> | 2014 <i>HK\$</i> | 2015 <i>HK\$</i> |
|---|----------------------------|----------------------------|----------------------------|
| Earnings | | | |
| Earnings for the purpose of basic earnings per share | | | |
| Profit for the year attributable to owner of BIL | <u>12,724,955</u> | <u>13,665,249</u> | <u>5,680,347</u> |
| Number of shares | | | |
| Number of ordinary shares for the purpose of earnings per share | <u>10,000</u> | <u>10,000</u> | <u>10,000</u> |

No diluted earnings per share is presented as there are no potential shares in issue during the Relevant Periods nor outstanding as at the end of each reporting period.

13. INVESTMENT PROPERTIES

| | 2013 HK\$ | 2014 HK\$ | 2015 HK\$ |
|---|--------------------|--------------------|--------------------|
| Properties in Hong Kong, at fair value | | | |
| At beginning of the year | 540,000,000 | 550,000,000 | 561,000,000 |
| Additions | 893,330 | 881,030 | 600,824 |
| Increase in fair value recognised in profit or loss | <u>9,106,670</u> | <u>10,118,970</u> | <u>399,176</u> |
| At end of the year | <u>550,000,000</u> | <u>561,000,000</u> | <u>562,000,000</u> |

The investment properties are rented out under operating leases.

The fair value of investment properties as at December 31, 2013, 2014 and 2015, have been arrived at on the basis of a valuation carried out on those dates by Landscape Surveyors Limited, independent qualified professional valuers not connected with BIL. The valuation reports were issued by Landscape Surveyors Limited, represented by its director who is a member of the Institute of Valuers. The valuations, which conforms with Hong Kong Institute of Surveyors Valuation Standards on Properties, have been arrived at on the basis of capitalisation of net rental income derived from the existing tenancies with due allowance for outgoings and provisions for reversionary income potential.

The major inputs used in the fair value measurement of BIL's investment properties as at December 31, 2013, 2014 and 2015 are set out below:

| Investment properties held by BIL in the statements of financial position | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value | Sensitivity |
|---|----------------------|--|---|---|---|
| Completed residential properties and car park spaces located in Hong Kong | Level 3 | Direct Comparison Approach The key inputs is: Market unit rate. | Market unit rate, taking into account the time, location, building age, floor level, view, and size between the comparables and the property, at a range from HK\$24,281 to HK\$27,384, from HK\$24,700 to HK\$27,750, and from HK\$24,751 to HK\$27,776 per square foot on saleable area basis for residential units as at December 31, 2013, 2014 and 2015 respectively, and HK\$800,000, HK\$800,000 and HK\$800,000 per unit for car park spaces as at December 31, 2013, 2014 and 2015 respectively. | The higher the market unit rate, the higher the fair value. | A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa. |

There has been no change from the valuation technique used throughout the Relevant Periods.

In estimating the fair value of the investment properties, the management has taken into consideration the highest and best use of the properties.

14. PROPERTY, PLANT AND EQUIPMENT

| | Furniture and fixtures HK\$ |
|--------------------------|--|
| COST | |
| At January 1, 2013 | 887,516 |
| Additions | 398,447 |
| Disposals | <u>(26,766)</u> |
| At December 31, 2013 | 1,259,197 |
| Additions | 263,991 |
| Disposals | <u>(16,693)</u> |
| At December 31, 2014 | 1,506,495 |
| Additions | 268,235 |
| Disposals | <u>(30,170)</u> |
| At December 31, 2015 | <u>1,744,560</u> |
| DEPRECIATION | |
| At January 1, 2013 | 725,804 |
| Charge for the year | 101,072 |
| Elimination on disposals | <u>(10,875)</u> |
| At December 31, 2013 | 816,001 |
| Charge for the year | 155,640 |
| Elimination on disposals | <u>(8,854)</u> |
| At December 31, 2014 | 962,787 |
| Charge for the year | 169,411 |
| Elimination on disposals | <u>(25,382)</u> |
| At December 31, 2015 | <u>1,106,816</u> |
| CARRYING VALUES | |
| At December 31, 2013 | <u>443,196</u> |
| At December 31, 2014 | <u>543,708</u> |
| At December 31, 2015 | <u>637,744</u> |

The above items of property, plant and equipment are depreciated over their estimated useful lives, using the straight-line basis, at the rates of 25% - 30% per annum.

15. BANK BALANCE AND BANK TIME DEPOSITS OVER THREE MONTHS

As at December 31, 2013, 2014 and 2015, bank balance held by BIL with an original maturity of three months or less, carrying interest at prevailing market interest rates of 0.05%, 0.12% and 0.13% per annum respectively.

As at December 31, 2014 and 2015, bank time deposits held by BIL with an original over three months, carrying interest at prevailing market interest rates of 0.29% and 0.3% per annum respectively.

16. SHARE CAPITAL

| | Number of shares | HK\$ |
|--|---------------------|---------------|
| Authorised: | | |
| At January 1, 2013 and December 31, 2013 | | |
| - Ordinary shares of HK\$1 each | <u>10,000</u> | <u>10,000</u> |
| At December 31, 2014 and December 31, 2015 | <u>N/A (Note)</u> | |
| Issued and fully paid: | | |
| At January 1, 2013 and December 31, 2013 | | |
| - Ordinary shares of HK\$1 each | <u>10,000</u> | <u>10,000</u> |
| At December 31, 2014 and December 31, 2015 | | |
| - Ordinary shares with no par value (Note) | <u>10,000</u> | <u>10,000</u> |

Note: BIL has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance (i.e. March 3, 2014).

17. OTHER LOANS

Other loans represent loans from a related company, which is a fellow subsidiary of BIL, are unsecured and bear interest at rate of 0.80% per annum over Hong Kong Interbank Offered Rate. Details of these loans are as follows:

| | 2013 | 2014 | 2015 |
|---|--------------------|-------------------|-------------------|
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| The carrying amounts of the above loans are repayable: | | | |
| Within 1 year | 53,000,000 | 5,000,000 | — |
| Within a period of more than one year but not exceeding two years | 98,000,000 | 20,000,000 | — |
| Within a period of more than two years but not exceeding five years | <u>20,000,000</u> | <u>53,000,000</u> | <u>78,000,000</u> |
| | <u>171,000,000</u> | <u>78,000,000</u> | <u>78,000,000</u> |

As at December 31, 2013, 2014 and 2015, the effective interest rates of such other loans range from 1.13% to 1.35%, 1.34% to 1.35% and 1.36% to 1.42% per annum, respectively.

The loans, which are denominated in Hong Kong dollars, may be switched to United States dollars and/or Japanese Yen at a rate, to be mutually agreed by both parties on rollover dates.

18. BANK LOAN

| | 2013 | 2014 | 2015 |
|----------------------------|--------------------|--------------------|--------------------|
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| Carrying amount repayable: | | | |
| Within one year | <u>205,000,000</u> | <u>201,400,000</u> | <u>190,800,000</u> |

Bank loan, which is secured by first legal charge over the investment properties and its interest thereof. The bank loan carries interest at rate of 0.85% per annum over the Prime Rate or Cost of Fund as determined by the bank. As at December 31, 2013, 2014 and 2015, the effective interest rates of such bank loan range from 1.23% to 1.24%, 1.23% to 1.39% and 1.30% to 1.44% per annum, respectively.

19. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount is unsecured, interest-free and repayable on demand.

20. DEFERRED TAXATION

Deferred tax liabilities (assets) recognised and movements thereon during the Relevant Periods are as follows:

| | Accelerated tax depreciation | Tax losses | Total |
|-----------------------------------|---|---------------------|--------------|
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| At January 1, 2013 | 8,983,718 | (8,983,718) | — |
| Charge (credit) to profit or loss | <u>861,053</u> | <u>(861,053)</u> | <u>—</u> |
| At December 31, 2013 | 9,844,771 | (9,844,771) | — |
| Charge (credit) to profit or loss | <u>847,774</u> | <u>(847,774)</u> | <u>—</u> |
| At December 31, 2014 | 10,692,545 | (10,692,545) | — |
| Charge (credit) to profit or loss | <u>853,301</u> | <u>(853,301)</u> | <u>—</u> |
| At December 31, 2015 | <u>11,545,846</u> | <u>(11,545,846)</u> | <u>—</u> |

As at December 31, 2013, 2014 and 2015, BIL has unused tax losses of approximately HK\$226,291,000, HK\$227,764,000 and HK\$227,847,000 respectively available for offset against future profits, which are subject to agreement with Inland Revenue Department. A deferred tax asset has been recognised in respect of HK\$59,665,000, HK\$64,803,000 and HK\$69,975,000 of such losses as at December 31, 2013, 2014 and 2015 of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$166,626,000, HK\$162,961,000 and HK\$157,872,000 as at December 31, 2013, 2014 and 2015 respectively due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

21. OPERATING LEASE COMMITMENTS

At the end of each reporting period, BIL had contracted with tenants for the following future minimum lease payments to BIL:

| | 2013 | 2014 | 2015 |
|---------------------------------------|-------------------------|-------------------------|-------------------------|
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| Within one year | 6,411,000 | 3,651,000 | 6,770,459 |
| In the second to fifth year inclusive | <u>570,000</u> | <u>—</u> | <u>510,000</u> |
| | <u><u>6,981,000</u></u> | <u><u>3,651,000</u></u> | <u><u>7,280,459</u></u> |

The investment properties have committed tenants for two to three years with fixed rentals over the lease term.

22. RELATED PARTY TRANSACTIONS

- (a) BIL obtained advances from its immediate holding company. The amounts due to immediate holding company at the end of each reporting period are disclosed in the statements of financial position and note 19.
- (b) During the years ended December 31, 2013, 2014 and 2015, BIL incurred interest expense of HK\$2,204,247, HK\$1,047,362 and HK\$1,066,584 respectively on the loans from a related company which is a fellow subsidiary of BIL. The amount of the loans at the end of each reporting period are disclosed in the statements of financial position and note 17.
- (c) During the years ended December 31, 2013, 2014 and 2015, BIL incurred management fee of HK\$964,800, HK\$964,800 and HK\$964,800 respectively for the general administrative services provided by another related company which is a fellow subsidiary of BIL.

23. CAPITAL RISK MANAGEMENT

BIL manages its capital to ensure that BIL will be able to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of BIL consists of borrowings and equity, comprising issued share capital and retained profits.

The directors of BIL review the capital structure on a yearly basis. As a part of this review, the directors of BIL consider the cost of capital and the risks associated with the capital, will balance its overall capital structure through new share issues, raising new debts or repayment of existing debts.

BIL's overall strategy approach to capital management remains unchanged throughout the Relevant Periods.

24. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

| | 2013 | 2014 | 2015 |
|---|--------------------|--------------------|--------------------|
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| <i>Financial assets</i> | | | |
| Loans and receivables | <u>13,351,452</u> | <u>14,278,041</u> | <u>13,896,253</u> |
| <i>Financial liabilities</i> | | | |
| Financial liabilities at amortised cost | <u>497,218,387</u> | <u>495,576,204</u> | <u>490,836,861</u> |

(b) Financial risk management objectives and policies

The directors of BIL have overall responsibility for the establishment and oversight of BIL's risk management framework. BIL's risk management policies are established to identify and analyse the risks faced by BIL, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and BIL's activities.

There has been no change to BIL's exposure to risks or the manner in which it manages and measures the risks.

The risks associated with BIL's financial instruments include credit risk, interest rate risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Credit risk management*

At the end of each reporting period, BIL's maximum exposure to credit risk which will cause a financial loss to BIL due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position. BIL's credit risk is primarily attributable to other debtors. In order to minimise the credit risk, the management closely monitors the collection of debts and to ensure that follow up action is taken to recover overdue debts. In addition, the management reviews the recoverability of these amounts at the end of each reporting period to ensure that adequate impairment loss is made for irrecoverable amount. In this regard, management considers that BIL's credit risk is significantly reduced.

The credit risk on BIL's liquid funds is limited because the majority of the counterparties are banks with good credit standing.

(ii) *Interest rate risk management*

BIL's major exposure to interest rate risk through the impact of interest rate changes on interest bearing financial liabilities. Interest bearing financial liabilities are mainly bank and other loans which are arranged at variable rates, thus exposing BIL to cash flow interest rate risk. Management monitors interest rate risk exposure and will consider hedging significant interest rate exposure should the need arises.

If interest rates attributable to BIL's bank and other loans had been 19 basis points higher/lower and all other variables were held constant, BIL's profit for the year ended December 31, 2013, 2014 and 2015 would decrease/increase by HK\$597,000, HK\$443,000 and HK\$426,000 respectively.

The above sensitivity analyses have been determined based on the bank and other loans outstanding at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year. A 19 basis points increase or decrease is used which represents management's assessment of the reasonably possible change in interest rate.

(iii) *Liquidity risk management*

The ultimate responsibility for liquidity risk management rests with the directors of BIL. The directors of BIL are satisfied that BIL will have sufficient funds to meet in full its financial obligations as they fall due for the foreseeable future, after taking into consideration that the immediate holding company has agreed to provide adequate funds to BIL to meet in full its financial obligations up to the date of the completion of the Acquisition. Moreover, upon completion of the Acquisition, the Company will provide financial support to BIL to meet in full its financial obligations as they fall due in the foreseeable future.

The following tables detail BIL's remaining contractual maturity for its non-interest bearing and non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which, BIL can be required to pay.

| | Weighted average effective interest rate % | On demand or within 1 year HK\$ | 1 - 2 years HK\$ | Over 2 years HK\$ | Total undiscounted cash flows HK\$ | Carrying amount HK\$ |
|---|--|--|------------------------|-------------------------|---|----------------------------|
| 2013 | | | | | | |
| Non-interest bearing | | | | | | |
| - Amount due to immediate holding company | — | 118,347,026 | — | — | 118,347,026 | 118,347,026 |
| - Creditors | — | 1,244,361 | — | — | 1,244,361 | 1,244,361 |
| - Tenants' deposits received | — | 1,627,000 | — | — | 1,627,000 | 1,627,000 |
| Variable interest rate instruments | 1.23 | <u>205,000,000</u> | <u>75,584,844</u> | <u>101,585,202</u> | <u>382,170,046</u> | <u>376,000,000</u> |
| | | <u>326,218,387</u> | <u>75,584,844</u> | <u>101,585,202</u> | <u>503,388,433</u> | <u>497,218,387</u> |
| 2014 | | | | | | |
| Non-interest bearing | | | | | | |
| - Amount due to immediate holding company | — | 212,804,969 | — | — | 212,804,969 | 212,804,969 |
| - Creditors | — | 1,339,235 | — | — | 1,339,235 | 1,339,235 |
| - Tenants' deposits received | — | 2,032,000 | — | — | 2,032,000 | 2,032,000 |
| Variable interest rate instruments | 1.32 | <u>201,400,000</u> | <u>5,082,389</u> | <u>76,425,626</u> | <u>282,908,015</u> | <u>279,400,000</u> |
| | | <u>417,576,204</u> | <u>5,082,389</u> | <u>76,425,626</u> | <u>499,084,219</u> | <u>495,576,204</u> |
| 2015 | | | | | | |
| Non-interest bearing | | | | | | |
| - Amount due to immediate holding company | — | 218,632,978 | — | — | 218,632,978 | 218,632,978 |
| - Creditors | — | 1,037,883 | — | — | 1,037,883 | 1,037,883 |
| - Tenants' deposits received | — | 2,366,000 | — | — | 2,366,000 | 2,366,000 |
| Variable interest rate instruments | 1.35 | <u>190,800,000</u> | <u>—</u> | <u>80,336,928</u> | <u>271,136,928</u> | <u>268,800,000</u> |
| | | <u>412,836,861</u> | <u>—</u> | <u>80,336,928</u> | <u>493,173,789</u> | <u>490,836,861</u> |

(c) Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

B. EVENTS AFTER THE REPORTING PERIOD

Other than as mentioned above, there is no other significant event took place subsequent to December 31, 2015.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for BIL subsequent to December 31, 2015.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

BIL is a Hong Kong incorporated company which owns the Property for lease purpose. The construction of the Property was completed in 2002. The gross floor area of the Property is 2,470.974 sq. m. (26,598 sq. ft.) excluding caretaker's quarter of 23.341 sq. m. (251 sq. ft.). It is an 8-storey residential building with 12 units, including two units for each of 1st to 6th floor (4th floor omitted) and two duplex flats on the 7th and 8th floor. There are also 17 car park spaces leased together with the units.

The following is the management discussion and analysis on BIL for the three years ended 31 December 2013, 31 December 2014 and 31 December 2015 which is prepared based on the financial information of BIL set out in Appendix III to this Circular.

(i) **For the year ended 31 December 2013 (the "Year 2013")**

Business and financial review

During the Year 2013, BIL was principally engaged in property investment.

Revenue of BIL represents the gross rental income from the Property. The revenue of BIL for the year ended 31 December 2013 amounted to approximately HK\$10.74 million. The gross profit was approximately HK\$7.79 million after deducting the direct costs which were expenses directly related to the leasing and management of the Property. The gross profit margin was approximately 72.53%. The profit before and after taxation amounted to approximately HK\$12.72 million of which approximately HK\$9.11 million was attributable to the increase in fair value of the Property.

During the Year 2013, the direct costs of BIL were approximately HK\$3.00 million, which were mainly spent on the property management expenses and rates. The costs related to the management of the Property included but were not limited to the salaries paid to the staff of the management office, repairs and maintenance, cleaning charges and utilities for the Property.

The administrative expenses of BIL incurred during the Year 2013 were approximately HK\$1.41 million, which were mostly spent on the payment of project management fee to BIL's related company.

During the Year 2013, the finance costs of BIL of approximately HK\$2.76 million were interests paid on bank and other loans.

Liquidity and financial resources

During the Year 2013, BIL funded its operations mainly by loans from bank, its shareholder and related company.

As at 31 December 2013, the bank borrowing was HK\$205 million, which was secured by the Property.

The amount owing from BIL to its shareholder as at 31 December 2013 was approximately HK\$118.35 million and was unsecured, interest-free and repayable on demand.

The amount owing to the related company as at 31 December 2013 was HK\$171 million. The loan was used to finance BIL's daily operations and/or construction of the Property and the interest rates were determined on an arm's length basis.

As at 31 December 2013, the current assets of BIL was approximately HK\$13.54 million and the current liabilities of BIL was approximately HK\$379.94 million. The current ratio of BIL, represented by current assets as a percentage of current liabilities, was approximately 0.04 times as at 31 December 2013.

As at 31 December 2013, the total assets of BIL amounted to approximately HK\$563.98 million and the total liabilities of BIL amounted to approximately HK\$497.94 million. The gearing ratio of BIL, represented by total liabilities as a percentage of total assets, was approximately 88.29% as at 31 December 2013.

Employment and remuneration policy

BIL does not employ any employees. BIL has entered into a property management agreement with a management services company. The daily operations and administrative functions are carried out by staff of the management services company.

Significant investment held and future plans for material investments or capital assets

Save as the business of property investment as mentioned, there was no significant investment held by BIL.

Charge on assets

The Property is subject to a mortgage ("**Mortgage**") in favour of HSBC Private Bank (Suisse) SA dated 1 February 2013 and an Assignment of Mortgages ("**Assignment of Mortgages**") in favour of HSBC dated 1 November 2013.

Contingent liabilities

BIL did not have any significant contingent liabilities as at 31 December 2013.

Significant acquisition and disposal

During the Year 2013, BIL did not have any significant acquisition or disposal of investment.

(ii) For the year ended 31 December 2014 (the "Year 2014")

Business and financial review

During the Year 2014, BIL was principally engaged in property investment.

Revenue of BIL represents the gross rental income from the Property. The revenue of BIL for the year ended 31 December 2014 amounted to approximately HK\$12.05 million. The gross profit was approximately HK\$8.71 million after deducting the direct costs which were expenses directly related to the leasing and management of the Property. The gross profit margin was approximately 72.28%. The profit before and after taxation amounted to approximately HK\$13.67 million of which approximately HK\$10.12 million was attributable to the increase in fair value of the Property.

During the Year 2014, the direct costs of BIL were approximately HK\$3.34 million, which were mainly spent on the property management expenses and rates. The costs related to management of the Property included but were not limited to the salaries paid to the staff of the management office, repairs and maintenance, cleaning charges and utilities for the Property.

The administrative expenses of BIL incurred during the Year 2014 were approximately HK\$1.40 million, which were mostly spent on the payment of project management fee to BIL's related company.

During the Year 2014, the finance costs of BIL of approximately of HK\$3.79 million were interests paid on bank and other loans.

Liquidity and financial resources

During the Year 2014, BIL funded its operations mainly by loans from bank, its shareholder and related company.

As at 31 December 2014, the bank borrowing was HK\$201.40 million, which was secured by the Property.

The amount owing from BIL to its shareholder as at 31 December 2014 was approximately HK\$212.80 million and was unsecured, interest-free and repayable on demand.

The amount owing to the related company as at 31 December 2014 was HK\$78 million. The loan was used to finance BIL's daily operations and/or construction of the Property and the interest rates were determined on an arm's length basis.

As at 31 December 2014, the current assets of BIL was approximately HK\$14.43 million and the current liabilities of BIL was approximately HK\$423.27 million. The current ratio of BIL, represented by current assets as a percentage of current liabilities, was approximately 0.03 times as at 31 December 2014 as compared to approximately 0.04 times as at 31 December 2013.

As at 31 December 2014, the total assets of BIL amounted to approximately HK\$575.98 million and the total liabilities of BIL amounted to approximately HK\$496.27 million. The gearing ratio of BIL, represented by total liabilities as a percentage of total assets, was approximately 86.16% as at 31 December 2014 and was relatively stable as compared to approximately 88.29% as at 31 December 2013.

Employment and remuneration policy

BIL does not employ any employees. BIL has entered into a property management agreement with a management services company. The daily operations and administrative functions are carried out by staff of the management services company.

Significant investment held and future plans for material investments or capital assets

Save as the business of property investment as mentioned, there was no significant investment held by BIL.

Charge on assets

The Property is subject to a mortgage (“**Mortgage**”) in favour of HSBC Private Bank (Suisse) SA dated 1 February 2013 and an Assignment of Mortgages (“**Assignment of Mortgages**”) in favour of HSBC dated 1 November 2013.

Contingent liabilities

BIL did not have any significant contingent liabilities as at 31 December 2014.

Significant acquisition and disposal

During the Year 2014, BIL did not have any significant acquisition or disposal of investment.

(iii) For the year ended 31 December 2015 (the “Year 2015”)***Business and financial review***

During the Year 2015, BIL was principally engaged in property investment.

Revenue of BIL represents the gross rental income from the Property. The revenue of BIL for the year ended 31 December 2015 amounted to approximately HK\$13.04 million. The gross profit was approximately HK\$10.11 million after deducting the direct costs which were expenses directly related to the leasing and management of the Property. The gross profit margin was approximately 77.53%. The profit before and after taxation amounted to approximately HK\$5.68 million of which approximately HK\$0.40 million was attributable to the increase in fair value of the Property.

During the Year 2015, the direct costs of BIL were approximately HK\$2.93 million, which were mainly spent on the property management expenses and rates. The costs related to management of the Property included but were not limited to the salaries paid to the staff of the management office, repairs and maintenance, cleaning charges and utilities for the Property.

The administrative expenses of BIL incurred during the Year 2015 were approximately HK\$1.23 million which were mostly spent on the payment of project management fee to BIL’s related company.

During the Year 2015, the finance costs of BIL of approximately HK\$3.79 million were interests paid on bank and other loans.

Liquidity and financial resources

During the Year 2015, BIL funded its operations mainly by loans from bank, its shareholder and related company.

As at 31 December 2015, the bank borrowing was HK\$190.80 million, which was secured by the Property.

The amount owing from BIL to its shareholder as at 31 December 2015 was approximately HK\$218.63 million and was unsecured, interest-free and repayable on demand.

The amount owing to the related company as at 31 December 2015 was HK\$78 million. The loan was used to finance BIL's daily operations and/or construction of the Property and the interest rates were determined on an arm's length basis.

As at 31 December 2015, the current assets of BIL was approximately HK\$14.03 million and the current liabilities of BIL was approximately HK\$413.28 million. The current ratio of BIL, represented by current assets as a percentage of current liabilities, was approximately 0.03 times as at 31 December 2015 as compared to approximately 0.03 times as at 31 December 2014.

As at 31 December 2015, the total assets of BIL amounted to approximately HK\$576.67 million and the total liabilities of BIL amounted to approximately HK\$491.28 million. The gearing ratio of BIL, represented by total liabilities as a percentage of total assets, was approximately 85.19% as at 31 December 2015 and was relatively stable as compared to 86.16% as at 31 December 2014.

Employment and remuneration policy

BIL does not employ any employees. BIL has entered into a property management agreement with a management services company. The daily operations and administrative functions are carried out by staff of the management services company.

Significant investment held and future plans for material investments or capital assets

Save as the business of property investment as mentioned, there was no significant investment held by BIL.

Charge on assets

The Property is subject to a mortgage ("**Mortgage**") in favour of HSBC Private Bank (Suisse) SA dated 1 February 2013 and an Assignment of Mortgages ("**Assignment of Mortgages**") in favour of HSBC dated 1 November 2013.

Contingent liabilities

BIL did not have any significant contingent liabilities as at 31 December 2015.

Significant acquisition and disposal

During the Year 2015, BIL did not have any significant acquisition or disposal of investment.

APPENDIX V

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma consolidated statement of financial position of the Enlarged Group (the “**Unaudited Pro Forma Financial Information**”) has been prepared by the Directors to illustrate the effect of the Acquisition.

The Unaudited Pro Forma Financial Information has been prepared as if the Acquisition had been completed on 30 September 2015 and is based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2015 as extracted from the interim report of the Group for the six months ended 30 September 2015 and (ii) the audited statement of financial position of BIL as at 31 December 2015 as set out in Appendix III to this Circular after making pro forma adjustments that are (i) directly attributable to the Acquisition and not relating to future events or decisions; and (ii) factually supportable.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 30 September 2015 or any future date.

| | The Group as at | BIL as at | | | | | Pro forma |
|--|------------------------|--------------------|--------------------|--------------------|---------------------|--------------------|--------------------|
| | 30 September | 31 December | Pro forma | Pro forma | Pro forma | Pro forma | Enlarged |
| | 2015 | 2015 | adjustment | adjustment | adjustment | adjustment | Group |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(Unaudited)</i> | <i>(Audited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| | <i>(Note 1)</i> | <i>(Note 2)</i> | <i>(Note 3)</i> | <i>(Note 4(i))</i> | <i>(Note 4(ii))</i> | <i>(Note 5)</i> | |
| Non-current assets | | | | | | | |
| Investment properties | 2,646,354 | 562,000 | | | | | 3,208,354 |
| Property, plant and equipment | 555,506 | 638 | | | | | 556,144 |
| Prepaid lease payments | 2,743 | — | | | | | 2,743 |
| Goodwill | 1,270 | — | | | 105,362 | | 106,632 |
| Interests in associates | 7,796 | — | | | | | 7,796 |
| Interest in a joint venture | — | — | | | | | — |
| Available-for-sale investments | 60,657 | — | | | | | 60,657 |
| Held-to-maturity investments | 3,033 | — | | | | | 3,033 |
| Deferred tax assets | 7,388 | — | | | | | 7,388 |
| | <u>3,284,747</u> | <u>562,638</u> | | | | | <u>3,952,747</u> |
| Current assets | | | | | | | |
| Inventories | 131,482 | — | | | | | 131,482 |
| Prepaid lease payments | 68 | — | | | | | 68 |
| Investment held for trading | 24,412 | — | | | | | 24,412 |
| Inventory of unsold properties | 5,944 | — | | | | | 5,944 |
| Properties under development for sale | 1,566,532 | — | | | | | 1,566,532 |
| Bills receivables | 1,487 | — | | | | | 1,487 |

APPENDIX V
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

| | The Group as at 30 September 2015 <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 1)</i> | BIL as at 31 December 2015 <i>HK\$'000</i> <i>(Audited)</i> <i>(Note 2)</i> | Pro forma adjustment <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 3)</i> | Pro forma adjustment <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 4(i))</i> | Pro forma adjustment <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 4(ii))</i> | Pro forma adjustment <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 5)</i> | Pro forma Enlarged Group <i>HK\$'000</i> <i>(Unaudited)</i> |
|--|---|--|---|--|---|---|---|
| Trade receivables, deposits and prepayments | 209,707 | 1,007 | | | | | 210,714 |
| Amount due from a joint venture | 29,650 | — | | | | | 29,650 |
| Tax recoverable | 112 | — | | | | | 112 |
| Bank balances and cash | 547,266 | 13,023 | (487,382) | | | (6,000) | 66,907 |
| | <u>2,516,660</u> | <u>14,030</u> | | | | | <u>2,037,308</u> |
| Current liabilities | | | | | | | |
| Trade payables, customers' deposits and accrued expenses | 167,423 | 3,848 | | | | | 171,271 |
| Bills payables | 90,117 | — | | | | | 90,117 |
| Amount due to immediate holding company | — | 218,633 | (218,633) | | | | — |
| Amount due to an associate | 46,816 | — | | | | | 46,816 |
| Tax payable | 9,909 | — | | | | | 9,909 |
| Obligations under finance leases | 4,413 | — | | | | | 4,413 |
| Bank loans | 759,671 | 190,800 | | | | | 950,471 |
| | <u>1,078,349</u> | <u>413,281</u> | | | | | <u>1,272,997</u> |
| Net current assets/(liabilities) | <u>1,438,311</u> | <u>(399,251)</u> | | | | | <u>764,311</u> |
| Total assets less current liabilities | <u>4,723,058</u> | <u>163,387</u> | | | | | <u>4,717,058</u> |
| Non-current liabilities | | | | | | | |
| Provision for long service payments | 6,072 | — | | | | | 6,072 |
| Obligations under finance leases | 26,297 | — | | | | | 26,297 |
| Bank loans | 2,896,379 | — | | | | | 2,896,379 |
| Other loans | — | 78,000 | (78,000) | | | | — |
| Deferred tax liabilities | 71,424 | — | | | | | 71,424 |
| | <u>3,000,172</u> | <u>78,000</u> | | | | | <u>3,000,172</u> |
| Net assets | <u>1,722,886</u> | <u>85,387</u> | | | | | <u>1,716,886</u> |

APPENDIX V

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

| | The Group as at 30 September 2015 <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 1)</i> | BIL as at 31 December 2015 <i>HK\$'000</i> <i>(Audited)</i> <i>(Note 2)</i> | Pro forma adjustment <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 3)</i> | Pro forma adjustment <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 4(i))</i> | Pro forma adjustment <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 4(ii))</i> | Pro forma adjustment <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 5)</i> | Pro forma Enlarged Group <i>HK\$'000</i> <i>(Unaudited)</i> |
|-----------------------------|---|--|---|--|---|---|---|
| CAPITAL AND RESERVES | | | | | | | |
| Share capital | 102,656 | 10 | | (10) | | | 102,656 |
| Reserves | 1,620,230 | 85,377 | | (85,377) | | (6,000) | 1,614,230 |
| Total equity | <u>1,722,886</u> | <u>85,387</u> | | | | | <u>1,716,886</u> |

Notes to the Unaudited Pro Forma Financial Information:

- The balances are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2015 as set out in the interim report of the Company for the six months ended 30 September 2015.
- The balances are extracted from the audited statement of financial position of BIL as at 31 December 2015 as set out in Appendix III to this Circular.
- According to the formal sale and purchase agreement (“SPA”), the consideration for the Acquisition is HK\$672,016,114.52 which is subject to adjustments of an amount (if any) by which the net current asset value of BIL (excluding the bank loans and the shareholder’s loan) as at the completion date is more than or less than an amount of HK\$4,016,114.52 (the “Specified Amount”).

For the purpose of the Unaudited Pro Forma Financial Information, the consideration for the Acquisition is assumed to be approximately HK\$678,182,000, which is based on consideration of HK\$672,016,114.52 after adjustment of an amount of approximately HK\$6,166,000 being the excess of the net current asset value of BIL (excluding the bank loans and the shareholder’s loan) as at 31 December 2015 over the Specified Amount. With this premise, the pro forma financial information may be different from the actual amounts of assets and liabilities acquired.

Pursuant to the SPA, the consideration for acquisition of the entire issued share capital of BIL (the “Sale Shares”) shall be determined as follows:

| | <i>HK\$'000</i> |
|--|------------------|
| Total pro forma consideration for the Acquisition | 678,182 |
| Less: Pro forma shareholder’s loan assigned to the Group | |
| — Loan due by BIL to its immediate holding company | (218,633) |
| — Loan due by BIL to its fellow subsidiary | (78,000) |
| Less: Pro forma bank loans repaid in full | <u>(190,800)</u> |
| Pro forma consideration for the Sale Shares | <u>190,749</u> |

The Group intends to finance the consideration for the Acquisition by the Group’s internal financial resources and banking facilities. It is assumed that the pro forma cash consideration of HK\$678,182,000 will be funded by the Group’s bank balances and cash of approximately HK\$487,382,000 and the bank borrowings of approximately HK\$190,800,000.

4. The identifiable assets and liabilities of BIL acquired by the Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the purchase method of accounting in accordance with Hong Kong Financial Reporting Standards 3 (Revised) “Business Combinations”.

For the purpose of the Unaudited Pro Forma Financial Information, the Directors assumed that the fair value of identifiable assets and liabilities of BIL are same as their respective carrying amounts as at 31 December 2015.

The actual fair values of the assets and liabilities will be determined as of the date of acquisition and may differ materially from the amounts disclosed in the Unaudited Pro Forma Financial Information because of changes in fair values of the assets and liabilities to the date of completion.

- (i) This adjustment represents the consolidation entry to eliminate the share capital and pre-acquisition reserves of BIL on consolidation;
- (ii) This adjustment relates to the recognition of goodwill of approximately HK\$105,362,000, being the excess amount of the consideration for the Sale Shares over the fair value of the identifiable net assets of BIL. The amount of goodwill would change depending on the fair value of the identifiable net assets of BIL determined at the date of completion.

| | |
|--|-----------------------|
| | <i>HK\$'000</i> |
| Pro forma consideration for the Sale Shares (Note 3) | 190,749 |
| Less: Fair value of net assets acquired | <u>(85,387)</u> |
| Goodwill | <u><u>105,362</u></u> |

For the purpose of the Unaudited Pro Forma Financial Information, the Directors have assessed whether there is any impairment on goodwill in accordance with Hong Kong Accounting Standard 36 “Impairment of Assets” (“HKAS 36”) which is consistent with the accounting policy of the Group. Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss will be recognised. Based on the Directors’ assessment with reference to the property’s valuation as at 25 April 2016 carried out by DTZ Cushman & Wakefield Limited as set out in Appendix II to this Circular, the recoverable amount of the cash-generating unit comprising the goodwill exceeds the carrying amount and accordingly, the Directors concluded that there is no impairment in respect of the goodwill.

The Directors confirmed that they will apply consistent accounting policies, principal assumptions and valuation method to assess impairment of goodwill in subsequent reporting periods in accordance with the requirement of HKAS 36.

5. The adjustment represents payment of the estimated acquisition-related costs of approximately HK\$6,000,000.
6. The Unaudited Pro Forma Financial Information does not take account of any trading results or other transactions of the Group subsequent to 30 September 2015 and of BIL subsequent to 31 December 2015.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of inclusion in this Circular, received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF NATIONAL ELECTRONICS HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of National Electronics Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors for illustrative purposes only. The pro forma financial information consists of the pro forma net asset statement as at 30 September 2015 and related notes as set out on pages V-1 to V-4 of the circular issued by the Company dated 24 June 2016 (the “**Circular**”). The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described in notes 1 to 6.

The pro forma financial information has been compiled by the directors to illustrate the impact of the proposed acquisition of entire issued share capital of Bentley Investments Limited on the Group's financial position as at 30 September 2015 as if the transaction had taken place at 30 September 2015. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the period ended 30 September 2015, on which no audit or review report has been published.

Directors' Responsibility for the Pro Forma Financial Information

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

Our Independence and Quality Control

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

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

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

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

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

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2015 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hui Chun Keung, David
Practising Certificate Number: P05447

Hong Kong, 24 June 2016

1. INFORMATION REQUIRED UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information contained in Appendix III of this Circular does not constitute BIL's statutory financial statements for any of the years ended 31 December 2013, 2014 and 2015 but is derived from those financial statements.

The unaudited pro-forma consolidated statement of financial position of the Enlarged Group set out in Appendix V of this Circular does not constitute BIL's statutory annual financial statements for the year ended 31 December 2015 but is derived from those financial statements.

Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As BIL is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

BIL's auditor has reported on those financial statements for all three years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. 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.

3. DISCLOSURE OF INTERESTS**(a) Interests of Directors**

As at the Latest Practicable Date, the interests and short positions of the Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in

the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

(i) *Ordinary shares of HK\$0.10 each*

| Name of director | Capacity | Personal interests | Corporate interests | Other interests | Total interests | Percentage of the issued share capital of the Company |
|------------------------------|-------------------|--------------------|-------------------------------|------------------------------------|-----------------|---|
| Mr. Jimmy Lee Yuen Ching | Chairman | — | — | 275,701,618 <i>(note a)</i> | 275,701,618 | 27.058% |
| Mr. Loewe Lee Bon Chi | Managing Director | — | — | 308,701,618 <i>(notes a, b)</i> | 308,701,618 | 30.297% |
| Mr. James Lee Yuen Kui | Managing Director | 6,534 | — | 260,813,276 <i>(note c)</i> | 260,819,810 | 25.597% |
| Mr. Edward Lee Yuen Cheor | Director | — | — | 260,813,276 <i>(note c)</i> | 260,813,276 | 25.597% |
| Mr. Ricky Wai Kwong Yuen | Director | — | 40,994,543 <i>(note d)</i> | — | 40,994,543 | 4.023% |
| Dr. Samson Sun, M.B.E., J.P. | Director | — | 5,817,864 <i>(note e)</i> | — | 5,817,864 | 0.571% |
| Mr. William Chan Chak Cheung | Director | 330,000 | — | — | 330,000 | 0.032% |

(ii) *Share options*

| Name of Director | Capacity | Number of options held | Number of underlying shares | Percentage of the issued share capital of the Company |
|-----------------------|--|------------------------|-----------------------------|---|
| Mr. Loewe Lee Bon Chi | Managing Director (Beneficial owner) | 16,720,000 | 16,720,000 | 1.641% |
| Mr. Chan Kwok Wai | Independent Non-executive Director (Beneficial owner) | 330,000 | 330,000 | 0.032% |

Notes:

- (a) 275,701,618 shares are part of the property of a discretionary trust of which Mr. Jimmy Lee Yuen Ching and his family members and Mr. Loewe Lee Bon Chi's family members are named beneficiaries.

- (b) 33,000,000 shares are held by Mr. Loewe Lee Bon Chi's family member.
- (c) 260,813,276 shares are part of the property of a discretionary trust of which each of Mr. James Lee Yuen Kui and Mr. Edward Lee Yuen Cheor is named beneficiary.
- (d) 40,994,543 shares are held by two companies controlled by Mr. Ricky Wai Kwong Yuen.
- (e) 5,817,864 shares are held by a company controlled by Dr. Samson Sun, M.B.E., J.P..

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

As at the Latest Practicable Date, none of the Directors had any interest, either direct or indirect, in any assets which have been, since 31 March 2015 (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 Enlarged Group.

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

Share options

The Company's share option scheme (the "**Scheme**"), was adopted pursuant to a resolution passed on 20 August 2008 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 19 August 2018. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

As at the Latest Practical Date, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 17,050,000, representing 1.67% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's Shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's Shareholders. Options granted to independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's Shareholders.

Consideration at HK\$1 is payable on the grant of an option. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the Directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The following table disclosed movements in the Company's share options during the six months ended 30 September 2015:

| Name of director | Date of grant | Exercise period | Exercise price per share | Granted | Exercised | Forfeited | Expired | Balance at 30.09.2015 |
|--------------------------|---------------|-------------------------|--------------------------|---------------------|-----------------|-----------------|-----------------|-----------------------|
| | | | | Balance at 1.4.2015 | during the year | during the year | during the year | |
| Mr. Loewe Lee Bon Chi | 18.3.2010 | 18.3.2010- 17.3.2018 | 0.493 (note) | 9,200,000 | — | — | — | 10,120,000 (note) |
| | 23.3.2011 | 23.3.2011- 22.3.2018 | 0.691 (note) | 6,000,000 | — | — | — | 6,600,000 (note) |
| Mr. Chan Kwok Wai | 23.3.2011 | 23.3.2011- 22.3.2018 | 0.691 (note) | 300,000 | — | — | — | 330,000 (note) |

Note: On the basis of one (1) bonus share for every ten (10) existing shares in issue on 1 September 2015, a total of 93,456,451 bonus shares were issued on 11 September 2015. As a result of the bonus issue, adjustments were made to the exercise price and the number of shares to be allotted and issued upon exercise of the subscription rights attaching to the outstanding share options. The share options were adjusted in the manner set forth below with effect from 11 September 2015:

| Date of grant | Before the issue of Bonus Shares | | After the issue of Bonus Shares | |
|---------------|--|----------------------------------|---|---|
| | Number of Shares to be issued upon exercise of the outstanding share options | Exercise price per share HK\$ | Adjusted number of Shares to be issued upon exercise of the outstanding share options | Adjusted exercise price per share HK\$ |
| 18 March 2010 | 9,200,000 | 0.542 | 10,120,000 | 0.493 |
| 23 March 2011 | 6,300,000 | 0.760 | 6,930,000 | 0.691 |
| | <u>15,500,000</u> | | <u>17,050,000</u> | |

The closing price of the Company's share immediately before 18 March 2010, the date of grant of the options, was HK\$0.542 and before 23 March 2011, the date of grant of the options, was HK\$0.760.

(b) Interests of Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, no person (other than the interests disclosed under the paragraph headed “(a) Interests of Directors” above) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. SERVICE CONTRACTS

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

5. LITIGATION

As at the Latest Practicable Date, there was no litigation or claims of material importance known to the Directors pending or threatened against any member of the Enlarged Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their close associates had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this Circular or have given opinions, letter or advices contained in this Circular:

| (a) Name | (b) Qualification |
|-----------------|------------------------------------|
| HLB | Certified Public Accountants |
| Deloitte | Certified Public Accountants |
| DTZ | Professional Surveyors and Valuers |

As at the Latest Practicable Date, none of HLB, Deloitte and DTZ has any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group. Each of HLB, Deloitte and DTZ has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its letter(s), report(s), valuation certificate(s) and/or references to its name in the form and context in which they are included.

As at the Latest Practicable Date, none of HLB, Deloitte and DTZ had any direct or indirect interests in any assets which have been, since 31 March 2015 (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 Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. MATERIAL CONTRACTS

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

- (a) a conditional sale and purchase agreement dated 7 May 2014 entered into between Arsandco Investments Limited and St. Thomas Developments Incorporated, a wholly-owned subsidiary of the Company, in relation to the purchase of the property for a consideration of C\$87,500,000 (which is equivalent to approximately HK\$622,073,375) as more particularly described in the announcement of the Company dated 9 May 2014 and the circular of the Company dated 23 June 2014;
- (b) an agreement entered into on 15 May 2014 by Harbour Horizon Holdings Ltd., an indirect wholly-owned subsidiary of the Company with Ten Acre (Mayfair) Two Limited in relation to the grant and acceptance of the Leases for a total consideration of £3,725,000 (exclusive of value added tax) (which is equivalent to approximately HK\$48,611,250) as more particularly set out in the announcement of the Company dated 19 May 2014;
- (c) a sale and purchase agreement dated 1 August 2014, as amended by an amendment agreement dated 8 August 2014 and a second amendment agreement dated 23 September 2014, all entered into between Unionville Development Corporation, a wholly-owned subsidiary of the Company, and 2426483 Ontario Limited in relation to the disposal of the property for a consideration of C\$26,980,000 (equivalent to approximately HK\$191,426,000), subject to adjustments as more particularly set out in the announcement of the Company dated 22 August 2014;
- (d) a provisional agreement dated 26 November 2014 and entered into between GCPF Cayman Holding 9 Corp., Spring Orchard Limited, a wholly-owned subsidiary of the Company, and Leader Foresight Ltd. in respect of the disposal of the entire issued share capital of Mercato Group Limited and the assignment of the shareholder loan for a total consideration of HK\$395,000,000 less mortgaged loan and subject to adjustment;
- (e) a preliminary sale and purchase agreement dated 16 December 2014 entered into between Cherish Limited, a wholly-owned subsidiary of the Company, and an individual who is an independent third party and Centaline Property Agency Limited (a licenced estate agency with Licenced Estate Agency Company Licence No. C-000227) in respect of the sale and purchase of the property for a consideration of HK\$48,000,000 as more particularly set out in the announcement of the Company dated 17 December 2014;

- (f) a sale and purchase agreement dated 15 December 2015 entered into between Tania Investments Limited, a wholly-owned subsidiary of the Company, and Malibu Development Holdings Limited in respect of the sale and purchase of shares, representing 50% of the issued share capital of the Tania Investments Holdings Limited for a consideration of 50% of the aggregate of HK\$1,582,828,282 and the adjusted net asset value of Tania Investments Holdings Limited and Tania Development Limited as at 29 January 2016 as more particularly set out in the announcement of the Company dated 15 December 2015;
- (g) the MOU and
- (h) the SPA.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's principal place of business at Suite 3201, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong during normal business on any weekday (except public holidays) from the date of this Circular up to and including 11 July 2016:

- (a) the memorandum of association and Bye-laws of the Company;
- (b) the annual reports of the Company of each of the two financial years immediately preceding the issue of this Circular and the interim report of the Company for the six-month ended 30 September 2015;
- (c) the valuation report of the Property prepared by DTZ, the text of which is set out in Appendix II to this Circular;
- (d) the accountants' report on BIL prepared by Deloitte, the text of which is set out in Appendix III to this Circular;
- (e) the Management Discussion and Analysis of BIL, the text of which is set out in Appendix IV to this Circular;
- (f) the Unaudited Pro Forma Financial Information of the Enlarged Group prepared by HLB, the text of which is set out in Appendix V to this Circular;
- (g) the written consents given by the experts referred to in the paragraph headed "Experts and Consents" in this appendix;
- (h) the material contracts referred to in this appendix; and
- (i) this Circular.

10. MISCELLANEOUS

- (a) The qualified accountant and company secretary of the Company is Mr. Wong Kam Kee, Andy, who is an associate 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. Mr. Wong was an audit executive of an international accounting firm and held senior finance positions in several listed public companies in Hong Kong.
- (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.
- (d) The English text of this Circular shall prevail over the Chinese text in case of inconsistency.