THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

MAJOR TRANSACTION

16 June 2014

CONTENTS

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

"Acquisitions"	collectively, the JVCo2 Acquisition and the JVCo3 Acquisition
"Announcement"	announcement of the Company dated 28 April 2014 in relation to the Acquisitions
"Asiatic"	Asiatic Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of JVCo3
"associates"	has the meaning ascribed in the Listing Rules
"Batilone"	Batilone Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of JVCo2
"Board"	the board of directors of the Company
"Business Day"	a day other than a Saturday or Sunday on which banks are open in New York and Singapore to the general public for business during their normal business hours
"Company"	National Electronics Holdings Limited, a company incorporated in Bermuda, whose shares are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed in the Listing Rules
"Directors"	the directors of the Company
"Documents"	collectively, the JVCo1 Deed, the JVCo2 Agreement, JVCo2 Other Documents, JVCo3 Agreement and JVCo3 Other Document
"Enlarged Group"	the enlarged group of companies of National Electronics Holdings Limited immediately after completion of the Acquisitions, which shall include the Group, the JVCo2 Group and JVCo3 Group
"Further Deposits"	collectively, the JVCo2 Further Deposit and the JVCo3 Further Deposit
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China

"Independent Third Party"	an independent third party who is not a "connected person" as defined in the Listing Rules
"Initial Deposits"	collectively, the JVCo2 Initial Deposit and the JVCo3 Initial Deposit
"JVCo1"	Mercato Group Limited, a company incorporated in the British Virgin Islands
"JVCo1 Deed"	the deed dated 28 April 2014 and entered into between Spring Orchard Limited and GCPF Cayman Holding 9 Corp. in relation to the waiver of the JVCo1 Right of First Offer
"JVCo1 Shareholders' Agreement"	the shareholders' agreement dated 30 March 2011 and entered into between Spring Orchard Limited, GCPF Cayman Holding 9 Corp. and JVCo 1, as described in the announcement of the Company dated 3 June 2011
"JVCo2"	Smart Plus Group Limited, a company incorporated in the British Virgin Islands owned as to 73% by JVCo2 Seller and 27% by JVCo2 Purchaser, which in turn owns all the issued shares in Batilone
"JVCo2 Acquisition"	the sale and purchase of JVCo2 Sale Shares and the assignment of the benefit of the JVCo2 Shareholder Loan pursuant to the JVCo2 Agreement
"JVCo2 Agreement"	the conditional sale and purchase agreement dated 28 April 2014 and entered into between JVCo2 Seller and JVCo2 Purchaser in relation to the JVCo2 Acquisition
"JVCo2 Completion Date"	15 October 2014 or such other date as the parties to the JVCo2 Agreement may agree in writing
"JVCo2 Consideration"	the consideration of HK$219,347,587 for the JVCo2 Acquisition
"JVCo2 Deposit"	the JVCo2 Initial Deposit (at all times before the JVCo2 Further Deposit has been paid), or the aggregate of the JVCo2 Initial Deposit and the JVCo2 Further Deposit (at all times after the JVCo2 Further Deposit has been paid)
"JVCo2 Further Deposit"	a further deposit of HK$65,804,276 in respect of the JVCo2 Acquisition
"JVCo2 Group"	collectively, JVCo2 and Batilone
"JVCo2 Initial Deposit"	an initial deposit of HK$131,608,552 in respect of the JVCo2 Acquisition

"JVCo2 Longstop Date"	13 October 2014 or such other date as the parties to the JVCo2 Agreement may agree to postpone to in writing
"JVCo2 Other Documents"	the assignment of shareholder loan and the deed of termination (shareholders' agreement) in respect of JVCo2
"JVCo2 Property"	all those pieces or parcels of ground respectively registered in the Land Registry as The Remaining Portion of Section A of Inland Lot No. 864 and The Remaining Portion of Section B of Inland Lot No. 865 together with the messuages, erections and buildings thereon now known as No. 89 Jervois Street, Hong Kong (formerly known as Nos. 87 and 89 Jervois Street, Hong Kong)
"JVCo2 Purchaser"	Verde Group Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"JVCo2 Sale Shares"	730 shares of US$1.00 each in JVCo2, representing 73% of the issued share capital of JVCo2 to be sold by JVCo2 Seller to JVCo2 Purchaser pursuant to JVCo2 Agreement
"JVCo2 Seller"	GCPF Cayman Holding 10 Corp., the seller for the JVCo2 Acquisition which is an investment holding company and a wholly-owned subsidiary of a real estate fund
"JVCo2 Shareholder Loan"	all outstanding loans owed by JVCo2 to JVCo2 Seller from time to time (which shall amount to a total of HK$9,699,430.48 as at the Completion Date)
"JVCo2 Shareholders' Agreement"	the shareholders' agreement dated 7 June 2011 and entered into between JVCo2 Seller, JVCo2 Purchaser and JVCo2, as described in the announcement of the Company dated 3 June 2011
"JVCo3"	Ally Vantage Limited, a company incorporated in the British Virgin Islands owned as to 73% by JVCo3 Seller and 27% by JVCo3 Purchaser, which in turn owns all the issued shares in Asiatic and Lens
"JVCo3 Acquisition"	the sale and purchase of JVCo3 Sale Shares pursuant to the JVCo3 Agreement
"JVCo3 Agreement"	the conditional sale and purchase agreement dated 28 April 2014 and entered into between JVCo3 Seller and JVCo3 Purchaser in relation to the JVCo3 Acquisition

"JVCo3 Completion Date"	17 June 2014 or such other date as the parties to the JVCo3 Agreement may agree in writing
"JVCo3 Consideration"	the consideration of HK$258,647,172 for the JVCo3 Acquisition
"JVCo3 Deposit"	the JVCo3 Initial Deposit (at all times before the JVCo3 Further Deposit has been paid), or the aggregate of the JVCo3 Initial Deposit and the JVCo3 Further Deposit (at all times after the JVCo3 Further Deposit has been paid)
"JVCo3 Further Deposit"	a further deposit of HK$77,594,152 in respect of the JVCo3 Acquisition
"JVCo3 Group"	collectively, JVCo3, Asiatic and Lens
"JVCo3 Initial Deposit"	an initial deposit of HK$155,188,303 in respect of the JVCo3 Acquisition
"JVCo3 Longstop Date"	13 June 2014 or such other date as the parties to the JVCo3 Agreement may agree to postpone to in writing
"JVCo3 Other Document"	the deed of termination (shareholders' agreement) in respect of JVCo3
"JVCo3 Property"	(1) all that piece or parcel of ground registered in the Land Registry as The Remaining Portion of Marine Lot No. 152 together with the messuages, erections and buildings thereon (if any) now known as No. 101 Bonham Strand, Hong Kong, (2) all that piece or parcel of ground registered in the Land Registry as The Remaining Portion of Marine Lot No. 153 together with the messuages erections and buildings thereon (if any) now known as No. 103 Bonham Strand, Hong Kong, (3) all that piece or parcel of ground registered in the Land Registry as The Remaining Portion of Section A of Marine Lot No. 153 together with the messuages erections and buildings thereon (if any) now known as No.127 Wing Lok Street, Hong Kong, and (4) all that piece or parcel of ground registered in the Land Registry as The Remaining Portion of Marine Lot No. 151 and together with the messuages, erections and buildings thereon now known as No. 99 Bonham Strand, Hong Kong
"JVCo3 Purchaser"	Seafield Capital Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company

"JVCo3 Sale Shares"	730 shares of US$1.00 each in JVCo3, representing 73% of the issued share capital of JVCo3 to be sold by JVCo3 Seller to JVCo3 Purchaser pursuant to JVCo3 Agreement
"JVCo3 Seller"	GCPF Cayman Holding 11 Corp., the seller for the JVCo3 Acquisition which is an investment holding company and a wholly-owned subsidiary of a real estate fund
"JVCo3 Shareholders' Agreement"	the shareholders' agreement dated 7 June 2011 and entered into between JVCo3 Seller, JVCo3 Purchaser and JVCo3, as described in the announcement of the Company dated 3 June 2011
"Latest Practicable Date"	11 June 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contain in this circular
"Lens"	Lens Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of JVCo3
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Shareholders"	the shareholders of the Company
"Shareholders' Agreements"	collectively, the JVCo1 Shareholders' Agreement, JVCo2 Shareholders' Agreement and JVCo3 Shareholders' Agreement
"Shareholders' Approval"	the written approval obtained from the Company's closely allied group of Shareholders, as further described in the section headed "Implications under the Listing Rules" of this circular
"Shares"	ordinary shares in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	percentage

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

Non-executive Director:
Ms. Lee Yuen Yu, Dorathy

Independent non-executive Directors:
Dr. Samson Sun, M.B.E., J.P.
Mr. Chan Chak Cheung, William
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16 June 2014

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

1. INTRODUCTION

References are made to the announcements of the Company dated 28 April 2014 and 29 April 2014 in relation to the agreements to, among other things, repurchase the JVCo2 Sale Shares and the JVCo3 Sale Shares.

On 28 April 2014, the Company (through its wholly-owned subsidiaries) entered into agreements to, among other things, repurchase the JVCo2 Sale Shares and the JVCo3 Sale Shares. Pursuant to Rule 14.22 of the Listing Rules, the JVCo2 Acquisition and the JVCo3 Acquisition shall be aggregated in the calculation of the percentage ratios (as defined in the Listing Rules). As the relevant percentage ratios on an aggregate basis exceed 25% but are less than 100%, the Acquisitions constitute a major transaction of the Company and are therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. Further, the payment of the Initial Deposits will, in and of itself, constitute a major transaction of the Company that is subject to the above requirements.

The Company has obtained a written approval from Brentford Investments Limited, which held 237,102,979 Shares as at the date of the Announcement (representing approximately 25.21% of the issued share capital of the Company), and from Fenmore Investments Limited, which held

250,637,835 Shares as at the date of the Announcement (representing approximately 26.65% of the issued share capital of the Company), for the approval of the transactions contemplated under the Documents (including but not limited to the Acquisitions, the payment of the Initial Deposits and Further Deposits, and the waiver of the JVCo1 Right of First Offer). As such no general meeting will be convened by the Company to approve such matters.

The purpose of this circular is to provide you with further information on the Acquisitions.

2. JVCO2 AGREEMENT

Date: 28 April 2014

Parties:

JVCo2 Seller: GCPF Cayman Holding 10 Corp., an investment holding company and a wholly-owned subsidiary of a real estate fund which is the same fund that owns JVCo3 Seller

JVCo2 Purchaser: Verde Group Limited, a wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, JVCo2 Seller and its ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

Pursuant to the JVCo2 Agreement, JVCo2 Seller agreed to sell the JVCo2 Sale Shares, and assign the benefit of the JVCo2 Shareholder Loan, to JVCo2 Purchaser for a total consideration of HK$219,347,587. The JVCo2 Sale Shares represent 73% of the total issued share capital of JVCo2. JVCo2 owns all the shares of Batilone, which in turn owns the JVCo2 Property.

The JVCo2 Property is a boutique hotel located at No. 89 Jervois Street in Hong Kong, currently known as "The Jervois". The JVCo2 Property was completed in March 2011 when the occupation permit was issued by the Building Authority of Hong Kong, and commenced operation in November 2011.

Consideration and payment terms

The total consideration for the JVCo2 Acquisition is HK$219,347,587, which comprises of the consideration payable for the JVCo2 Sale Shares and the consideration payable for the assignment of the JVCo2 Shareholder Loan. The JVCo2 Consideration will be satisfied by payment of an equivalent amount in United States dollars in cash to JVCo2 Seller in the following manner:

(a) the JVCo2 Initial Deposit, which represents 60% of the JVCo2 Consideration, is payable to JVCo2 Seller upon the signing of the JVCo2 Agreement (such amount has already been paid by JVCo2 Purchaser to JVCo2 Seller after the Company's receipt of the Shareholders' Approval);

(b) the JVCo2 Further Deposit, which represents 30% of the JVCo2 Consideration, is payable to JVCo2 Seller on or before 27 August 2014; and

(c) the balance of the JVCo2 Consideration, being HK$21,934,759 and representing 10% of the JVCo2 Consideration, is payable to JVCo2 Seller on the JVCo2 Completion Date.

If JVCo2 Purchaser is in breach of its obligations under (b) above, then JVCo2 Seller may by notice to JVCo2 Purchaser terminate the JVCo2 Agreement.

The JVCo2 Consideration was determined after arm's length negotiation between the parties with reference to, among other things, the fair value of the JVCo2 Property, being HK$510,000,000, and the net asset value of JVCo2, being approximately HK$287,541,000 (73% of which is equal to approximately HK$209,905,000), both as at 31 December 2013. As disclosed in the Company's earlier circular of 27 June 2011, the fair value of the JVCo2 Property as at 30 April 2011 was HK$343,000,000, and the JVCo2 Purchaser had in 2011 sold the JVCo2 Sale Shares to the JVCo2 Seller for a consideration of HK$110,960,000. In the present transaction, the JVCo2 Consideration is HK$219,347,587. The difference between the two consideration amounts was primarily due to the appreciation in market value of the JVCo2 Property and the improvements in the state of the JVCo2 Property.

The Directors consider that the JVCo2 Consideration is fair and reasonable and in the interests of the Company and Shareholders as a whole.

Completion

Completion of the JVCo2 Acquisition is expected to take place on the JVCo2 Completion Date. Upon completion of the JVCo2 Acquisition, JVCo2 will become a wholly-owned subsidiary of JVCo2 Purchaser.

Conditions precedent

Completion of the JVCo2 Acquisition is conditional upon the passing of all necessary resolutions or approvals by the Shareholders in respect of the transactions contemplated under the JVCo2 Agreement and JVCo2 Other Documents, and the compliance by JVCo2 Purchaser and the Company with the Listing Rules, where applicable, on or before the JVCo2 Longstop Date.

The JVCo2 Purchaser will use all reasonable endeavours (so far as it lies within its powers) to procure the satisfaction of the above condition precedent as soon as reasonably practicable and in any event before the JVCo2 Longstop Date.

If the condition above has not been satisfied on or before the JVCo2 Longstop Date then JVCo2 Purchaser may on that date, at its option (but without prejudice to any other right or remedy it may have): (i) postpone the JVCo2 Longstop Date to a date (being a Business Day) as may be agreed between the parties in writing; or (ii) terminate the JVCo2 Agreement. If the parties are unable to agree on a revised JVCo2 Longstop Date, then JVCo2 Seller may by notice to JVCo2 Purchaser terminate the JVCo2 Agreement. If the parties are unable to mutually agree on the postponement or termination options above, then either of the parties may by notice to the other terminate the JVCo2 Agreement.

Such condition has been satisfied, following the receipt of the Shareholder Approval. For further details, please refer to section 9 (Implications under the Listing Rules) below.

Termination and refund/forfeiture of JVCo2 Deposit

If the JVCo2 Agreement is terminated:

(a) by JVCo2 Purchaser due to non-compliance by JVCo2 Seller of its completion obligations, or breach of the JVCo2 Seller's warranties, then the JVCo2 Deposit together with all interest accrued thereon shall be returned to JVCo2 Purchaser upon such termination; or

(b) (i) by JVCo2 Seller due to non-compliance by JVCo2 Purchaser of its completion obligations or failure of JVCo2 Purchaser to pay the JVCo2 Further Deposit or failure by the parties to mutually agree on a revised JVCo2 Longstop Date; or (ii) by JVCo2 Purchaser due to a failure to satisfy (or failure to mutually agree to postpone) the Shareholders' approval condition above, then the JVCo2 Deposit together with all interest accrued thereon shall be forfeited and kept by JVCo2 Seller upon such termination.

3. JVCO3 AGREEMENT

Date: 28 April 2014

Parties:

JVCo3 Seller:	GCPF Cayman Holding 11 Corp., an investment holding company and a wholly-owned subsidiary of a real estate fund which is the same fund that owns JVCo2 Seller
JVCo3 Purchaser:	Seafield Capital Limited, a wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, JVCo3 Seller and its ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

Pursuant to the JVCo3 Agreement, JVCo3 Seller agreed to sell the JVCo3 Sale Shares to JVCo3 Purchaser for a total consideration of HK$258,647,172. The JVCo3 Sale Shares represent 73% of the total issued share capital of JVCo3. JVCo3 owns all the shares of each of Asiatic and Lens, which in turn own the JVCo3 Property.

The JVCo3 Property is a boutique hotel located at Nos. 99, 101 and 103 Bonham Strand and No. 127 Wing Lok Street in Hong Kong, currently known as "99 Bonham". The JVCo3 Property was completed in February 2012 when the occupation permit was issued by the Building Authority of Hong Kong, and commenced operation in October 2012.

Consideration and payment terms

The total consideration for the JVCo3 Sale Shares is HK$258,647,172, which will be satisfied by payment of an equivalent amount in United States dollars in cash to JVCo3 Seller in the following manner:

(a) the JVCo3 Initial Deposit, which represents 60% of the JVCo3 Consideration, is payable to JVCo3 Seller upon signing of the JVCo3 Agreement (such amount has already been paid by JVCo3 Purchaser to JVCo3 Seller after the Company's receipt of the Shareholders' Approval);

(b) the JVCo3 Further Deposit, which represents 30% of the JVCo3 Consideration, is payable to JVCo3 Seller on or before 27 May 2014 (such amount has already been paid by JVCo3 Purchaser to JVCo3 Seller on 27 May 2014); and

(c) the balance of the JVCo3 Consideration, being HK$25,864,717 and representing 10% of the JVCo3 Consideration, is payable to JVCo3 Seller on the JVCo3 Completion Date.

The JVCo3 Consideration was determined after arm's length negotiation between the parties with reference to, among other things, the fair value of the JVCo3 Property, being HK$635,000,000, and the net asset value of JVCo3, being approximately HK$347,682,000 (73% of which is equal to approximately HK$253,808,000), both as at 31 December 2013. As disclosed in the Company's earlier circular of 27 June 2011, the fair value of the JVCo3 Property as at 30 April 2011 was HK$341,000,000, and the JVCo3 Purchaser had in 2011 sold the JVCo3 Sale Shares to the JVCo3 Seller for a consideration of HK$140,160,000. In the present transaction, the JVCo3 Consideration is HK$258,647,172. The difference between the two consideration amounts was primarily due to the appreciation in market value of the JVCo3 Property and the improvements in the state of the JVCo3 Property.

The Directors consider that the JVCo3 Consideration is fair and reasonable and in the interests of the Company and Shareholders as a whole.

Completion

Completion of the JVCo3 Acquisition is expected to take place on the JVCo3 Completion Date. Upon completion of the JVCo3 Acquisition, JVCo3 will become a wholly-owned subsidiary of JVCo3 Purchaser.

Conditions precedent

Completion of the JVCo3 Acquisition is conditional upon the passing of all necessary resolutions or approvals by the Shareholders in respect of the transactions contemplated under the JVCo3 Agreement and JVCo3 Other Document, and the compliance by JVCo3 Purchaser and the Company with the Listing Rules, where applicable, on or before the JVCo3 Longstop Date.

The JVCo3 Purchaser will use all reasonable endeavours (so far as it lies within its powers) to procure the satisfaction of the above condition precedent as soon as reasonably practicable and in any event before the JVCo3 Longstop Date.

If the condition above has not been satisfied on or before the JVCo3 Longstop Date then JVCo3 Purchaser may on that date, at its option (but without prejudice to any other right or remedy it may have): (i) postpone the JVCo3 Longstop Date to a date (being a Business Day) as may be agreed between the parties in writing; or (ii) terminate the JVCo3 Agreement. If the parties are unable to agree on a revised JVCo3 Longstop Date, then JVCo3 Seller may by notice to JVCo3 Purchaser terminate the JVCo3 Agreement. If the parties are unable to mutually agree on the postponement or termination options above, then either of the parties may by notice to the other terminate the JVCo3 Agreement.

Such condition has been satisfied, following the receipt of the Shareholder Approval. For further details, please refer to section 9 (Implications under the Listing Rules) below.

Termination and refund/forfeiture of JVCo3 Deposit

If the JVCo3 Agreement is terminated:

(a) by JVCo3 Purchaser due to non-compliance by JVCo3 Seller of its completion obligations, or breach of the JVCo3 Seller's warranties, then the JVCo3 Deposit together with all interest accrued thereon shall be returned to JVCo3 Purchaser upon such termination; or

(b) (i) by JVCo3 Seller due to non-compliance by JVCo3 Purchaser of its completion obligations or failure of JVCo3 Purchaser to pay the JVCo3 Further Deposit or failure by the parties to mutually agree on a revised JVCo3 Longstop Date; or (ii) by JVCo3 Purchaser due to a failure to satisfy (or failure to mutually agree to postpone) the Shareholders' approval condition above, then the JVCo3 Deposit together with all interest accrued thereon shall be forfeited and kept by JVCo3 Seller upon such termination.

4. DOCUMENTS ENTERED INTO IN CONNECTION WITH THE ACQUISITIONS

(a) ASSIGNMENT OF JVCO2 SHAREHOLDER LOAN

In consideration of the payment of the JVCo2 Consideration, an assignment of shareholder loan has been entered into between JVCo2 Seller and JVCo2 Purchaser on the same date as the JVCo2 Agreement, pursuant to which JVCo2 Seller will assign and transfer to JVCo2 Purchaser all of its rights, title, benefits and interests in the JVCo2 Shareholder Loan free from all claims, charges, liens, encumbrances, option and equities of any kind whatsoever with effect from the JVCo2 Completion Date.

(b) DEED OF TERMINATION OF JVCO2 SHAREHOLDERS' AGREEMENT AND DEED OF TERMINATION OF JVCO3 SHAREHOLDERS' AGREEMENT

In connection with the entering into of the JVCo2 Agreement, the parties to the JVCo2 Shareholders' Agreement entered into a deed on the same date as the JVCo2 Agreement to terminate the JVCo2 Shareholders' Agreement with effect from the JVCo2 Completion Date.

Also, in connection with the entering into of the JVCo3 Agreement, the parties to the JVCo3 Shareholders' Agreement entered into a deed on the same date as the JVCo3 Agreement to terminate the JVCo3 Shareholders' Agreement with effect from the JVCo3 Completion Date.

(c) DEED OF TERMINATION OF UMBRELLA AGREEMENT

As noted in the Company's announcement dated 3 June 2011, the parties to the Shareholders' Agreements entered into an umbrella agreement, pursuant to which incentive distributions payable to the wholly-owned subsidiaries of the Company in accordance with the Shareholders' Agreements were to be calculated on a consolidated portfolio basis as opposed to individual portfolio basis.

On 28 April 2014, in connection with the entering into of the JVCo2 Agreement and JVCo3 Agreement, the parties to the umbrella agreement entered into a deed to terminate the umbrella agreement, which will take effect subject to completion having occurred under the JVCo2 Agreement and the JVCo3 Agreement.

(d) WAIVER OF JVCO1 RIGHT OF FIRST OFFER

As noted in the Company's announcement dated 3 June 2011, the JVCo1 Shareholders' Agreement contains restrictions on the transfer of shares in JVCo1. One restriction requires a shareholder wishing to sell all (but not some) of its shares in JVCo1 to first offer such shares to the other shareholder in accordance with the provisions of the JVCo1 Shareholders' Agreement (the "**JVCo1 Right of First Offer**").

On 28 April 2014, Spring Orchard Limited (the owner of 39.5% of the total issued share capital of JVCo1 and a wholly-owned subsidiary of the Company) entered into the JVCo1 Deed to waive its rights under the JVCo1 Right of First Offer, in the event that the other shareholder (GCPF Cayman Holding 9 Corp., an investment holding company and a wholly-owned subsidiary of a real estate fund which is the same fund that owns JVCo2 Seller and JVCo3 Seller) shall sell its shares to a bona fide third party.

5. INFORMATION OF THE COMPANY, THE SELLERS, THE PURCHASERS AND THE TARGET COMPANIES

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 JVCo2 Seller and JVCo3 Seller

JVCo2 Seller and JVCo3 Seller are investment holding companies incorporated in the Cayman Islands, and are wholly-owned subsidiaries of a real estate fund.

Information of JVCo2 Purchaser and JVCo3 Purchaser

JVCo2 Purchaser and JVCo3 Purchaser are investment holding companies incorporated in the British Virgin Islands, and are wholly-owned subsidiaries of the Company.

Information of JVCo2 and JVCo3

JVCo2 and JVCo3 are companies incorporated in the British Virgin Islands, and they principally engage in property development and investment. JVCo2 is a joint venture company owned as to 73% by JVCo2 Seller and 27% by JVCo2 Purchaser. JVCo3 is a joint venture company owned as to 73% by JVCo3 Seller and 27% by JVCo3 Purchaser.

6. FINANCIAL INFORMATION OF THE JVCO2 GROUP AND JVCO3 GROUP

A summary of the audited consolidated financial information of the JVCo2 Group and JVCo3 Group prepared in accordance with Hong Kong Financial Reporting Standards is as follows:

	Net gain before taxation and extraordinary items for the year ended 31 December 2012	**Net gain after taxation and extraordinary items for the year ended 31 December 2012**	**Net gain before taxation and extraordinary items for the year ended 31 December 2013**	**Net gain after taxation and extraordinary items for the year ended 31 December 2013**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
JVCo2 Group	11.94	11.94	121.80	121.80
JVCo3 Group	30.19	30.19	139.11	139.11

According to the audited consolidated statements of financial position of the JVCo2 Group, the net asset value of the JVCo2 Group as at 31 December 2013 was approximately HK$287.54 million. According to the audited statements of financial position of JVCo2, the net asset value of JVCo2 as at 31 December 2013 was approximately HK$108.16 million.

According to the audited consolidated statements of financial position of the JVCo3 Group, the net asset value of the JVCo3 Group as at 31 December 2013 was approximately HK$347.68 million. According to the audited statements of financial position of JVCo3, the net asset value of JVCo3 as at 31 December 2013 was approximately HK$120.42 million.

For further details regarding the financial information of the JVCo2 Group and JVCo3 Group, please refer to Appendix III to this Circular.

7. REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Directors consider that the acquisition of the remaining 73% shareholding interest in JVCo2 and JVCo3, which will enable the Group to hold the entire issued capital of JVCo2 and JVCo3, provides a valuable investment opportunity for the Group to increase its property ownership at a reasonable price and enjoy revenue income derived from JVCo2 Property and JVCo3 Property on a fully-owned basis at the same time. The Directors believe that the property business portfolio of the Group will be strengthened and enhanced by the Acquisitions.

The Directors consider that the Acquisitions are on normal commercial terms and that such terms are fair and reasonable and in the interests of the Company and Shareholders as a whole.

The Group intends to finance the Acquisitions by bank financing and internal resources.

8. FINANCIAL EFFECTS OF THE ACQUISITIONS

Earnings

Upon completion of the Acquisitions, each of JVCo2 and JVCo3 will become an indirect wholly-owned subsidiary of the Company. The results of the JVCo2 Group and JVCo3 Group will be consolidated into the consolidated financial statements of the Group following the completion of the Acquisitions.

According to the audited consolidated income statement for the year ended 31 March 2013 as per page 26 of the Annual Report 2013 of the Company, the profit for the year ended 31 March 2013 of the Group was approximately HK$296.22 million.

Assuming completion of the Acquisitions had taken place on 1 April 2012, the unaudited profit of the Enlarged Group for the year ended 31 March 2013 would be approximately HK$306.06 million, after taking into consideration the unaudited profit for the year ended 31 March 2013 of the JVCo2 Group (approximately HK$3.92 million) and the JVCo3 Group (approximately HK$9.55 million).

Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix VII to this circular, the financial effects of the Acquisitions are summarized below:

As at 30 September 2013, the unaudited consolidated total assets of the Group amounted to approximately HK$3,759.44 million.

Assuming completion of the Acquisitions had taken place on 30 September 2013, the unaudited pro forma consolidated total assets of the Enlarged Group as at 30 September 2013 would be approximately HK$4,580.45 million.

As at 30 September 2013, the unaudited consolidated total liabilities of the Group amounted to approximately HK$2,167.26 million.

Assuming completion of the Acquisitions had taken place on 30 September 2013, the unaudited pro forma consolidated total liabilities of the Enlarged Group as at 30 September 2013 would be approximately HK$2,949.08 million.

9. IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 14.22 of the Listing Rules, the Stock Exchange will aggregate a series of acquisitions and treat them as if they were one transaction if they are all completed within a 12-month period or are otherwise related. In this regard, the JVCo2 Acquisition and JVCo3 Acquisition shall be aggregated in the calculation of the percentage ratios (as defined in the Listing Rules).

As the relevant percentage ratios on an aggregate basis exceed 25% but are less than 100%, the Acquisitions constitute a major transaction of the Company and are therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. Further, the payment of the Initial Deposits will, in and of itself, constitute a major transaction of the Company that is subject to the above requirements.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the transactions contemplated under the Documents (including but not limited to the Acquisitions, the payment of the Initial Deposits and Further Deposits, and the waiver of the JVCo1 Right of First Offer). As such, no Shareholder 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.

The Company has a closely allied group of Shareholders which together hold approximately 51.86% of the total issued share capital of the Company as at the date of the Announcement. Pursuant to Rule 14.44 of the Listing Rules, the Company has obtained a written approval from Brentford Investments Limited, which held 237,102,979 Shares as at the date of the Announcement (representing approximately 25.21% of the issued share capital of the Company), and from Fenmore Investments Limited, which held 250,637,835 Shares as at the date of the Announcement (representing approximately 26.65% of the issued share capital of the Company), for the approval of the transactions contemplated under the Documents (including but not limited to the Acquisitions, the payment of the Initial Deposits and Further Deposits, and the waiver of the JVCo1 Right of First Offer). The said 237,102,979 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 are named beneficiaries. The said 250,637,835 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 are named beneficiaries. Messrs. James Lee Yuen Kui and Messrs. 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 Documents (including but not limited to the Acquisitions, the payment of the Initial Deposits and Further Deposits, and the waiver of the JVCo1 Right of First Offer), the Directors would have recommended that the Shareholders vote in favour of such approval.

10. ADDITIONAL INFORMATION

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

By Order of the Board
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 2011, 31 March 2012 and 31 March 2013 is disclosed in the annual reports of the Company for the years ended 31 March 2011 (pages 20 to 96), 31 March 2012 (pages 22 to 112) and 31 March 2013 (pages 26 to 120) dated 27 June 2011, 27 June 2012 and 25 June 2013 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 months ended 30 September 2013 is disclosed in the interim report of the Company for the six months ended 30 September 2013 (pages 1 to 24) dated 28 November 2013, 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 GROUP

As at 30 April 2014, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Group had outstanding bank borrowings of approximately HK$2,059 million (of which HK$1,358 million was secured by fixed charges on certain of the Group's assets with net book value of approximately HK$2,579 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$38.76 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 GROUP

The Directors are of the opinion that, after taking into account the financial resources and banking facilities available to the Group and its internally generated funds and the effect of the Documents, 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 GROUP

Watches and Watch Components

The turnover and profit of the Group's watch manufacturing and watch component trading division decreased slightly due to the continued escalation of manufacturing costs in China coupled with the slow recovery of the European and U.S. economies.

The continued weakness and instability of the European Union's financial status, the fragile U.S. economic recovery and the potential slowdown of growth in China will affect consumer demand that may persist this coming year. This will have a negative impact on the Group's watch manufacturing and watch component trading business.

The Group is cautious on the performance of its watch manufacturing and watch component trading business in this coming financial year.

Property Development and Investment

The Group's three jont venture boutique hotel apartments, with a real estate fund managed by JP Morgan Asset Management, including JVCo2 Property and JVCo3 Property received good market reviews and achieved satisfactory occupancy rates. Please refer to Appendix VI Management Discussion and Analysis of the JVCo2 Group and JVCo3 Group and the Group for an update in regards The Jervois and 99 Bonham, viz, the JVCo2 Property and the JVCo3 Property. The Group's own boutique hotel apartment, The Putman, located at 202 Queen's Road Central, maintained a high occupancy rate and leasing interest remained strong. As a result, the Group's hotel operation division enjoyed double digit increase in terms of turnover and profit.

The introduction of the Special Stamp Duty, the Buyer's Stamp Duty and Double Stamp Duty together with the tightening of bank mortgage loan financing for property buyers continue to affect the transaction volume and price level of the property market. However, with regards to the recent high price transactions for luxury houses, the sentiment of the luxury residential market in Hong Kong has become positive on the back of limited supply and strong demand.

The Group remains optimistic about Hong Kong's medium and long term real estate market and will continue to look for attractive acquisition opportunities.

The superstructure of the Group's wholly owned boutique hotel apartment development at 194 — 196 Queen's Road Central was completed and the project is expected to launch in the second half of 2014.

On 14 November 2012, the Group completed its purchase of House No. C36, Regalia Bay, No. 88 Wong Ma Kok Road, Hong Kong for long term investment purpose.

On 27 September 2012, the Group completed the purchase of the outstanding 50% shareholding in Tania Investments Holdings Limited, previously a jointly controlled entity with a real estate fund managed by J. P. Morgan Asset Management which indirectly owns the residential property located at 45 Tai Tam Road, Hong Kong. The site formation and foundation work of the Group's wholly owned luxurious residential development project at 45 Tai Tam Road was completed in preparation for the commencement of the superstructure works.

On 11 June 2012, Century Land Limited, which the Group owns 20% of its issued share capital, completed the transaction with the Agricultural Bank of China on the sale of its Grade A commercial investment property situated at 50 Connaught Road Central for HK$4.88 billion. The result was very satisfactory and the profit contribution of this investment property had been accounted for over the past few years.

Also in June 2012, the Group launched Twenty One Whitfield, its joint venture boutique hotel apartment, with a real estate fund managed by J.P. Morgan Asset Management located at 21 Whitfield Road, Hong Kong. It was the Group's first hotel apartment in the Causeway Bay / North Point location and the result has been satisfactory.

The following is the text of the letter and valuation certificate in relation to JVCo2 Property and JVCo3 Property received from DTZ Debenham Tie Leung 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
Batilone Limited
Suite 3201, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

11 June 2014

Dear Sirs,

Re: The Jervois, No. 89 Jervois Street, Sheung Wan, Hong Kong.

Instructions, Purpose & Date of Valuation

We refer to your instructions for us to carry out a market valuation of the property which is held by Batilone Limited (the "Company") 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 28th April, 2014 (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.

Method of Valuation

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

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

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 Senior Associate Director, Mr. Gary Lai who is a member of the HKIS, have inspected the exterior and wherever possible, the interior of the property in April, 2014. However, no structural survey has been made and in the course of our inspection, we did not note any serious defects. We are not 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 Debenham Tie Leung Limited
Ho Siu Wa
MHKIS, MRICS, RPS(GP)
Senior Director, Valuation & Advisory Services

Note: *Mr. Ho Siu Wa is a Registered Professional Surveyor (General Practice) who has over 29 years' experience in valuation of properties in Hong Kong.*

VALUATION CERTIFICATE

Property held by the Company for Investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28th April, 2014
The Jervois, No. 89 Jervois Street, Sheung Wan, Hong Kong. The Remaining Portion of Section A of Inland Lot No. 864 and the Remaining Portion of Section B of Inland Lot No. 865.	The property is a 32-storey boutique hotel completed in 2011. Ground and 1st floors of the building accommodate entrance lobby, café and back-of-house area; 2nd, 3rd and 30th floors are designated as mechanical floors whilst other upper floors accommodate a total of 49 guest rooms (there are no 4th, 13th, 14th, 24th and 34th floors). The total gross floor area of the property is approximately 31,567 sq.ft. (2,932.65 sq.m.). The locality of the property is characterised by a mixture of commercial and residential developments of various ages. The property is held from the Government under Government Leases for terms of 999 years from 26th June, 1843. The current Government Rents payable for I.L. 864 s.A and I.L. 865 s.B are HK$35.31 and HK$18.80 respectively per annum.	The property was operated as a boutique hotel. The gross monthly revenue receivable in March, 2014 was HK$2,342,988.	HK$510,000,000

Notes:

(1) The registered owner of the property is Batilone Limited.

(2) The property is subject to a Mortgage and Debenture in favour of United Overseas Bank Limited for all moneys vide Memorial No. 14043001500076 dated 28th April, 2014 (Re: Pending Registration).

(3) The property is zoned for "Commercial" use under Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/29.

The following is the text of the letter and valuation certificate in relation to JVCo3 Property received from DTZ Debenham Tie Leung 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
Asiatic Limited
Suite 3201, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

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

11 June 2014

Dear Sirs,

Re: 1. The Remaining Portions of Marine Lot No. 152 and Marine Lot No. 153 and the Remaining Portion of Section A of Marine Lot No. 153 (formerly known as Nos. 101-103 Bonham Strand and No. 127 Wing Lok Street, Sheung Wan, Hong Kong).

2. The Remaining Portion of Marine Lot No. 151 (formerly known as No. 99 Bonham Strand, Sheung Wan, Hong Kong).

Instructions, Purpose & Date of Valuation

We refer to your instructions for us to carry out market valuations of the properties which are held by Asiatic Limited and Lens Limited (the "Companies") 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 values of these properties as at 28th April, 2014 (the "date of valuation").

Basis of Valuation

Our valuation of each 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 of each property 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 valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that each property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Method of Valuation

We have valued the properties by direct comparison approach assuming sale of the properties in their respective existing states as a hotel and by making reference to comparable sales transactions as available in the relevant market.

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

Source of Information

We have relied to a very considerable extent on the information given by your Companies 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 properties 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 Senior Associate Director, Mr. Gary Lai who is a member of the HKIS, have inspected the exterior and wherever possible, the interior of the properties in April, 2014. However, no structural survey has been made and in the course of our inspection, we did not note any serious defects. We are not able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services.

Our summary of values and valuation certificates are hereby enclosed for your attention.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
Ho Siu Wa
MHKIS, MRICS, RPS(GP)
Senior Director, Valuation & Advisory Services

Note: Mr. Ho Siu Wa is a Registered Professional Surveyor (General Practice) who has over 29 years' experience in valuation of properties in Hong Kong.

SUMMARY OF VALUATIONS

Property		Market value in existing state as at 28th April, 2014
1.	The Remaining Portions of Marine Lot No. 152 and Marine Lot No. 153 and the Remaining Portion of Section A of Marine Lot No. 153 (formerly known as Nos. 101-103 Bonham Strand and No. 127 Wing Lok Street, Sheung Wan, Hong Kong).	HK$477,000,000
2.	The Remaining Portion of Marine Lot No. 151 (formerly known as No. 99 Bonham Strand, Sheung Wan, Hong Kong).	HK$158,000,000
	Total:	HK$635,000,000

VALUATION CERTIFICATE

Property held by Asiatic Limited for Investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28th April, 2014
1. The Remaining Portions of Marine Lot No. 152 and Marine Lot No. 153 and the Remaining Portion of Section A of Marine Lot No. 153 (formerly known as Nos. 101-103 Bonham Strand and No. 127 Wing Lok Street, Sheung Wan, Hong Kong). The Remaining Portions of Marine Lot No. 152 and Marine Lot No. 153 and the Remaining Portion of Section A of Marine Lot No. 153.	The existing development standing on the subject site is a 32-storey boutique hotel (currently known as "99 Bonham") providing 84 guest rooms completed in 2012. The hotel is erected on the subject site with a registered area of approximately 2,059 sq.ft. (191.29 sq.m.) and the adjoining lot (the Remaining Portion of Marine Lot No. 151 (formerly known as No. 99 Bonham Strand)) with a site area of approximately 684 sq.ft. (63.55 sq.m.). Ground and 1st floors of the hotel accommodate entrance lobby, café and back-of-house area; 2nd and 3rd floors are designated as mechanical floors, whilst upper floors accommodate a total of 84 guest rooms (there are no 4th, 13th, 14th, 24th and 34th floors). The total gross floor area of the hotel erected on the combined enlarged site is approximately 41,131 sq.ft. (3,821.16 sq.m.). The locality of the property is characterised by a mixture of commercial and residential developments of various ages. The property is held from the Government under Government Leases for terms of 981 years from 26th December, 1860. The current Government Rents payable for each of M.L. 152 and 153 is HK$17.50 per annum.	The building erected on the combined enlarged site was operated as a boutique hotel. The gross monthly revenue receivable in March, 2014 was HK$3,339,575.50.	HK$477,000,000

VALUATION CERTIFICATE

Property held by Asiatic Limited for Investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28th April, 2014
1. (cont'd)	—	—	—

Notes:

(1) The registered owner of the property is Asiatic Limited.

(2) The property is subject to a Debenture and Mortgage in favour of Hang Seng Bank Limited vide Memorial No. 12031202470175 dated 17th February, 2012.

(3) The property is subject to an Order No. C/TA/003650/13/HK issued by the Building Authority under Section 24(1) of the Buildings Ordinance vide Memorial No. 13111501240206 dated 28th October, 2013. The Building Authority requested the registered owner of the property to carry out reinstatement works on portions of the ground and first floors of the subject hotel, which are currently occupied by a tenant. As informed by the Companies, the costs of reinstatement works would be borne by the tenant in full and would not have any financial impact to the Companies. We do not consider that the Order will affect the value of the subject hotel, and have therefore disregarded the Order and have not taken into account the costs of reinstatement works in the course of our valuation.

(4) The property is subject to a Supplement to Debenture and Mortgage in favour of Hang Seng Bank Limited vide Memorial No. 13122402170159 dated 4th December, 2013.

(5) The property is zoned for "Commercial" use under Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/29.

(6) We would stress that the subject site (with an area of approximately 2,059 sq.ft.) together with the adjoining lot (the Remaining Portion of Marine Lot No. 151 (formerly known as No. 99 Bonham Strand) with an area of approximately 684 sq.ft.) have been developed into an integrated hotel development currently known as "99 Bonham". In the course of our valuation, we have firstly assessed the market value of the above-mentioned hotel with a total gross floor area of approximately 41,131 sq.ft. (3,821.16 sq.m.), as at 28th April, 2014, which was HK$635,000,000. As the government lease restrictions and zoning control are virtually the same in respect of the subject and the adjoining site, we have apportioned HK$635,000,000 in accordance with the ratio of respective site areas of the two sites. We must emphasize that the apportionment figures may not essentially represent the market value of the respective sites if they were developed separately and individually.

VALUATION CERTIFICATE

Property held by Lens Limited for Investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28th April, 2014
2. The Remaining Portion of Marine Lot No. 151 (formerly known as No. 99 Bonham Strand, Sheung Wan, Hong Kong). The Remaining Portion of Marine Lot No. 151.	The existing development standing on the subject site is a 32-storey boutique hotel (currently known as "99 Bonham") providing 84 guest rooms completed in 2012. The hotel is erected on the subject site with a registered site area of approximately 684 sq.ft. (63.55 sq.m.) and the adjoining lots (the Remaining Portions of Marine Lot No. 152 and Marine Lot No. 153 and the Remaining Portion of Section A of Marine Lot No. 153 (formerly known as Nos. 101-103 Bonham Strand and No. 127 Wing Lok Street)) with a site area of approximately 2,059 sq.ft. (191.29 sq.m.). Ground and 1st floors of the hotel accommodate entrance lobby, café and back-of-house area; 2nd and 3rd floors are designated as mechanical floors, whilst upper floors accommodate a total of 84 guest rooms (there are no 4th, 13th, 14th, 24th and 34th floors). The total gross floor area of the hotel erected on the combined enlarged site is approximately 41,131 sq.ft. (3,821.16 sq.m.). The locality of the property is characterised by a mixture of commercial and residential developments of various ages. The property is held from the Government under Government Lease for a term of 981 years from 26th December, 1860. The current Government Rent payable for the whole of M.L. 151 is HK$17.50 per annum.	The building erected on the combined enlarged site was operated as a boutique hotel. The gross monthly revenue receivable in March, 2014 was HK$3,339,575.50.	HK$158,000,000

VALUATION CERTIFICATE

Property held by Lens Limited for Investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28th April, 2014
2. (cont'd)	—	—	—

Notes:

(1) The registered owner of the property is Lens Limited.

(2) The property is subject to a Debenture and Mortgage in favour of Hang Seng Bank Limited vide Memorial No. 12031202470175 dated 17th February, 2012.

(3) The property is subject to an Order No. C/TA/003650/13/HK issued by the Building Authority under Section 24(1) of the Buildings Ordinance vide Memorial No. 13111501240206 dated 28th October, 2013. The Building Authority requested the registered owner of the property to carry out reinstatement works on portions of the ground and first floors of the subject hotel, which are currently occupied by a tenant. As informed by the Companies, the costs of reinstatement works would be borne by the tenant in full and would not have any financial impact to the Companies. We do not consider that the Order will affect the value of the subject hotel, and have therefore disregarded the Order and have not taken into account the costs of reinstatement works in the course of our valuation.

(4) The property is subject to a Supplement to Debenture and Mortgage in favour of Hang Seng Bank Limited vide Memorial No. 13122402170159 dated 4th December, 2013.

(5) The property is zoned for "Commercial" use under Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/29.

(6) We would stress that the subject site (with an area of approximately 684 sq.ft.) together with the adjoining lots (the Remaining Portions of Marine Lot No. 152 and Marine Lot No. 153 and the Remaining Portion of Section A of Marine Lot No. 153 (formerly known as Nos. 101-103 Bonham Strand and No. 127 Wing Lok Street) with an area of approximately 2,059 sq.ft.) have been developed into an integrated hotel development currently known as "99 Bonham". In the course of our valuation, we have firstly assessed the market value of the above-mentioned hotel with a total gross floor area of approximately 41,131 sq.ft. (3,821.16 sq.m.), as at 28th April, 2014, which was HK$635,000,000. As the government lease restrictions and zoning control are virtually the same in respect of the subject and the adjoining site, we have apportioned HK$635,000,000 in accordance with the ratio of respective site areas of the two sites. We must emphasize that the apportionment figures may not essentially represent the market value of the respective sites if they were developed separately and individually.

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 Cheung Limited, Certified Public Accountants, Hong Kong.

HLB 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

16 June 2014

The Directors
National Electronics Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Smart Plus Group Limited ("JVCo2") and its subsidiary (hereinafter collectively referred to as the "JVCo2 Group") for each of the three years ended 31 December 2011, 2012 and 2013 (the "Relevant Periods"), for inclusion in the circular of National Electronics Holdings Limited (the "Company") dated 16 June 2014 (the "Circular") in connection with the proposed acquisition of 73% equity interest in JVCo2.

JVCo2 was incorporated with limited liability in the British Virgin Islands (the "BVI") on 21 January 2011. Pursuant to a group reorganization (the "Reorganization") as set out in Note 1 to the Financial Information, which was completed on 24 May 2011, JVCo2 became the holding company of the subsidiary comprising the JVCo 2 Group.

At the date of this report, JVCo2 has direct interest in a subsidiary as set out in Note 13 to the Financial Information. In 2011, JVCo2 and its subsidiary have changed their financial year end date from 31 March to 31 December.

No audited statutory financial statements have been prepared for JVCo2 since its date of incorporation as there is no statutory audit requirement in the BVI.

The statutory financial statements of Batilone Limited ("Batilone") for the period from 1 April 2011 to 31 December 2011 and for each of the two years ended 31 December 2012 and 2013 were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.

For the purpose of this report, the directors of JVCo2 have prepared the consolidated financial statements of the JVCo2 Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with HKFRSs issued by the HKICPA.

We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. 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 set out in this report has been prepared from the Underlying Financial Statements on the basis set out in Note 1 to the Financial Information. No adjustments to the Underlying Financial Statements are considered necessary in the preparation of this report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of JVCo2 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 independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the JVCo2 Group and JVCo2 as at 31 December 2011, 2012 and 2013, and of the consolidated results and cash flows of the JVCo2 Group for the Relevant Periods.

A. FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December 2011 HK$'000	Year ended 31 December 2012 HK$'000	Year ended 31 December 2013 HK$'000
Revenue	5	241	15,693	23,521
Direct costs		(625)	(6,141)	(8,528)
Gross (loss)/profit		(384)	9,552	14,993
Other income and gain	6	1,141	3,321	50
Increase in fair value of investment properties	11	5,148	9,904	119,910
Fair value gain on derivative financial instruments		2,247	1,578	—
Administrative expenses		(3,403)	(173)	(1,074)
Finance costs	7	(2,898)	(12,241)	(12,076)
Profit before tax		1,851	11,941	121,803
Income tax credit	8	692	—	—
Profit for the year and total comprehensive income for the year	9	2,543	11,941	121,803

Consolidated Statements of Financial Position

	Notes	As at 31 December 2011 HK$'000	As at 31 December 2012 HK$'000	As at 31 December 2013 HK$'000
Non-current assets				
Investment properties	11	380,000	390,000	510,000
Plant and equipment	12	38	34	24
Deferred tax assets	19	692	692	692
		380,730	390,726	510,716
Current assets				
Accounts receivable		5	290	246
Deposits and prepayments		534	652	808
Bank balances	15	11,243	18,012	22,725
		11,782	18,954	23,779
Current liabilities				
Receipt in advance		45	707	599
Tenancy deposits		96	2,336	2,099
Accruals		4,034	1,229	831
Amount due to immediate holding company	16	—	—	9,699
Amounts due to related companies	17	8,366	15,989	7,689
Bank borrowings	18	—	—	226,037
		12,541	20,261	246,954
Net current liabilities		(759)	(1,307)	(223,175)
Total assets less current liabilities		379,971	389,419	287,541

	Notes	As at 31 December 2011 HK$'000	As at 31 December 2012 HK$'000	As at 31 December 2013 HK$'000
Capital and reserves				
Share capital	21	8	8	8
Reserves		153,789	165,730	287,533
Total equity		153,797	165,738	287,541
Non-current liabilities				
Bank borrowings	18	221,325	223,681	—
Derivative financial liabilities	20	4,849	—	—
		226,174	223,681	—
		379,971	389,419	287,541

Statements of Financial Position

	Notes	As at 31 December 2011 HK$'000	As at 31 December 2012 HK$'000	As at 31 December 2013 HK$'000
Non-current assets				
Investment in a subsidiary	13	66,898	66,898	66,898
Current assets				
Amount due from a subsidiary	14	50,108	54,597	54,552
Current liabilities				
Amount due to immediate holding company	16	—	—	9,699
Amount due to a related company	17	7,956	12,884	3,588
		7,956	12,884	13,287
Net current assets		42,152	41,713	41,265
Net assets		109,050	108,611	108,163
Capital and reserves				
Share capital	21	8	8	8
Reserves	22	109,042	108,603	108,155
Total equity		109,050	108,611	108,163

Consolidated Statements of Changes in Equity

	Share capital	**Share premium**	**Other reserve**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 21)		*(Note)*		
At 1 January 2011	—	—	—	110,214	110,214
Profit for the year and total comprehensive income for the year	—	—	—	2,543	2,543
Issue of shares upon the Reorganization	8	107,930	(66,898)	—	41,040
At 31 December 2011	8	107,930	(66,898)	112,757	153,797
Profit for the year and total comprehensive income for the year	—	—	—	11,941	11,941
At 31 December 2012	8	107,930	(66,898)	124,698	165,738
Profit for the year and total comprehensive income for the year	—	—	—	121,803	121,803
At 31 December 2013	8	107,930	(66,898)	246,501	287,541

Note: Other reserve represents the difference between the share capital of the subsidiary and the value of the shares allotted and issued by JVCo2 in exchange for the equity interest in a subsidiary pursuant to the Reorganization.

Consolidated Statements of Cash Flows

	Year ended 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Profit before tax	1,851	11,941	121,803
Adjustments for:			
Increase in fair value of investment properties	(5,148)	(9,904)	(119,910)
Fair value gain on derivative financial instruments	(2,247)	(1,578)	—
Gain on disposal of derivative financial instruments	—	(3,271)	—
Waiver of amount due to a related company	(1,140)	—	—
Interest income	—	(2)	(2)
Depreciation of plant and equipment	2	11	11
Finance costs	2,898	12,241	12,076
Operating cash flows before movements in working capital	(3,784)	9,438	13,978
(Increase)/decrease in accounts receivables	(5)	(285)	44
Increase in deposits and prepayments	(181)	(118)	(156)
Increase/(decrease) in receipt in advance	45	662	(108)
Increase/(decrease) in tenancy deposits	96	2,240	(237)
Increase/(decrease) in accruals	3,230	(2,805)	(398)
Net cash (used in)/generated from operating activities	(599)	9,132	13,123
Cash flows from investing activities			
Additions to investment properties	(57,222)	(96)	(90)
Additions to plant and equipment	(40)	(7)	(1)
Interest received	—	2	2
Net cash used in investing activities	(57,262)	(101)	(89)

	Year ended 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from financing activities			
Interest paid	(11,203)	(9,885)	(9,720)
New bank loan raised	228,000	—	—
Repayment of bank loan	(104,668)	—	—
Repayment to a fellow subsidiary	(52,786)	—	—
Advance from immediate holding company	—	—	9,699
Advances from/(repayments to) related companies	9,506	7,623	(8,300)
Net cash generated from/(used in) financing activities	68,849	(2,262)	(8,321)
Net increase in cash and cash equivalents	10,988	6,769	4,713
Cash and cash equivalents at the beginning of year	255	11,243	18,012
Cash and cash equivalents at the end of year	11,243	18,012	22,725
Represented by:			
Bank balances	11,243	18,012	22,725

Notes to the Financial Information

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

JVCo2 was incorporated with limited liability in the BVI on 21 January 2011. Its parent is GCPF Cayman Holding 10 Corp., a company incorporated in Cayman Islands and its ultimate parent is JPMorgan Greater China Property Fund Cayman Master, L.P., a Cayman Islands Exempted Limited Partnership. The addresses of the registered office and the principal place of business of JVCo2 are P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and Suite 3201, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong respectively. JVCo2 acts as an investment holding company. The principal activity of its subsidiary is property development and investment.

Pursuant to a reorganization agreement dated 24 May 2011, JVCo2 acquired the entire interest in Batilone from Chirac Limited ("Chirac") by issuing and allotting 1,000 shares of US$1 each to Chirac. Thereafter, JVCo2 has become the holding company of the JVCo2 Group. The companies now comprising the JVCo2 Group were under common control before and after the Reorganization. Accordingly, the Financial Information have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations".

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows are prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation where this is a shorter period. The consolidated statements of financial position as at 31 December 2011, 2012 and 2013 present the assets and liabilities of the companies now comprising the JVCo2 Group as if the current group structure had been in existence at those dates.

The Financial Information is presented in Hong Kong dollars ("HK$"), which is also the functional currency of JVCo2.

In preparing the Financial Information, the directors of JVCo2 have given careful consideration to the liquidity position and going concern status of the JVCo2 Group. As at 31 December 2013, the JVCo2 Group's current liabilities exceeded its current assets by approximately HK$223,175,000. The Financial Information has been prepared on a going concern basis because the beneficial shareholder of JVCo2, National Electronics Holdings Limited, has agreed to provide adequate funds for the JVCo2 Group to meet in full its financial obligations as they fall due for the foreseeable future.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the JVCo2 Group has consistently applied Hong Kong Accounting Standards, Hong Kong Financial Reporting Standards, amendments and interpretations (collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the accounting period beginning on 1 January 2013 throughout the Relevant Periods.

The JVCo2 Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[2]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabiliites[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) — Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014.

3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

5 Effective for annual periods beginning on or after 1 January 2016.

The directors of JVCo2 anticipate that the application of the new and revised HKFRSs will have no material impact on the consolidated financial statements of the JVCo2 Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Information has been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out 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, the JVCo2 Group 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 this Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized 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.

Basis of consolidation

The Financial Information incorporate the financial statements of JVCo2 and entities controlled by JVCo2. Control is achieved when JVCo2:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The JVCo2 Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the JVCo2 Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The JVCo2 Group considers all relevant facts and circumstances in assessing whether or not the JVCo2 Group's voting rights in an investee are sufficient to give it power, including:

- the size of the JVCo2 Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the JVCo2 Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the JVCo2 Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the JVCo2 Group obtains control over the subsidiary and ceases when the JVCo2 Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the JVCo2 Group gains control until the date when the JVCo2 Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of JVCo2 and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of JVCo2 and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the JVCo2 Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the JVCo2 Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The Financial Information incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Investment in a subsidiary

Investment in a subsidiary is included in the statement of financial position of JVCo2 at cost less any identified impairment loss. The results of the subsidiary are accounted for by JVCo2 on the basis of dividend received and receivable.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the JVCo2 Group 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.

The JVCo2 Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The JVCo2 Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

The JVCo2 Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from ‘profit before tax’ as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The JVCo2 Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the JVCo2 Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the JVCo2 Group 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 tax liabilities or deferred tax assets 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 recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

Depreciation is recognized 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 derecognized 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 recognized in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalized as part of the carrying amount of the investment properties under construction.

An investment property is derecognized 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 derecognized.

Impairment on tangible assets

At the end of the reporting period, the JVCo2 Group 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. When it is not possible to estimate the recoverable amount of an individual asset, the JVCo2 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

Provisions are recognized when the JVCo2 Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the JVCo2 Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity 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 (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized 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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) 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 recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, 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 financial assets have been affected.

Objective evidence of impairment could include:

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

For certain categories of financial assets, such as accounts receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the JVCo2 Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

For financial assets measured at amortized cost, 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 recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity 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 an entity after deducting all of its liabilities. Equity instruments issued by the JVCo2 Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the JVCo2 Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the JVCo2 Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized 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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) 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 recognized on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

The JVCo2 Group derecognizes 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. If the JVCo2 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the JVCo2 Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the JVCo2 Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the JVCo2 Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety, the JVCo2 Group allocates the previous carrying amount of the financial asset between the part it continues to recognize, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

The JVCo2 Group derecognizes financial liabilities when, and only when, the JVCo2 Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the JVCo2 Group's accounting policies, which are described in note 3, the directors of JVCo2 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 recognized 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the 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.

Estimate of fair value of investment properties

The valuation of investment properties is performed in accordance with the 'The HKIS Valuation Standards on Properties' published by the Hong Kong Institute of Surveyors.

The JVCo2 Group's investment properties are revalued at the end of the reporting period on the open market value basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement on whether such valuations and assumptions made by the valuers are reasonable, the JVCo2 Group considers information from comparable current prices in an active market for similar properties, capitalization rates, terminal yield, rental income from current leases and assumptions about rental from future leases and the reversionary income potential and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents rental income from properties.

The JVCo2 Group's operating activities are attributable to a single operating segment focusing on the property development and investment. This operating segment has been identified on the basis of internal management reports, prepared in accordance with HKFRSs, that are regularly reviewed by the directors of JVCo2, for allocating resources to the segment and assessing its performance.

All of the JVCo2 Group's business activities are attributable to the market in Hong Kong and all of the JVCo2 Group's assets are located in Hong Kong, therefore no geographical information is presented.

6. OTHER INCOME AND GAIN

	Year ended 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Bank interest income	—	2	2
Gain on disposal of derivative financial instruments	—	3,271	—
Waiver of amount due to a related company	1,140	—	—
Others	1	48	48
	1,141	3,321	50

7. FINANCE COSTS

	Year ended 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Interest on:			
bank borrowings wholly repayable within five years	2,639	9,457	9,317
derivative financial instruments	3,487	1,660	—
amount due to a related company	28	428	403
Other finance costs	393	2,356	2,356
Less: Amount borne by a related company (note (i))	(2,019)	(1,660)	—
Less: Amount capitalized in investment properties (note (ii))	(1,630)	—	—
	2,898	12,241	12,076

Notes:

(i) Pursuant to an agreement signed between National Electronics (Consolidated) Limited, a related company of the JVCo2 Group, and Batilone dated 3 June 2011, the related company bears the interest expenses arising from the interest rate swap contracts ("IRS Contracts") entered into by the Batilone until the IRS Contracts expire or the IRS Contracts are transferred under valuation by the Batilone to other parties, whichever is earlier.

(ii) Borrowing costs are calculated by a capitalization rate of 1.83% per annum to expenditure on investment properties during the year ended 31 December 2011.

8. INCOME TAX CREDIT

	Year ended 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax (note 19)			
Current year	692	—	—

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Relevant Periods.

No provision for Hong Kong Profits Tax has been made in the Financial Information as the JVCo2 Group has no assessable profits for the Relevant Periods.

The tax credit for the Relevant Periods can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	1,851	11,941	121,803
Tax at Hong Kong Profits Tax rate of 16.5%	305	1,970	20,097
Tax effect of income not taxable for tax purpose	(1,037)	(1,634)	(19,785)
Tax effect of expenses not deductible for tax purpose	5	72	74
Tax effect of temporary difference not recognized	—	(212)	—
Recognition of previously unrecognized tax losses	—	(196)	(386)
Others	35	—	—
Tax credit for the year	(692)	—	—

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Auditors' remuneration	114	120	150
Depreciation of plant and equipment	2	11	11
Outgoings in respect of investment properties	625	6,141	8,528

10. DIRECTORS' EMOLUMENTS

No fees or other emoluments were paid to the directors of JVCo2 in respect of their services to the JVCo2 Group during the Relevant Periods, nor are any payable.

11. INVESTMENT PROPERTIES

	Year ended 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	316,000	380,000	390,000
Additions	58,852	96	90
Increase in fair value recognized in profit or loss	5,148	9,904	119,910
At 31 December	380,000	390,000	510,000
Unrealized gain on property revaluation included in profit or loss	5,148	9,904	119,910

The investment properties are situated in Hong Kong and held under long term lease.

The investment properties have been pledged to secure the bank loans granted to the JVCo2 Group.

The fair values of the investment properties as at 31 December 2011, 2012 and 2013 have been arrived at on the basis of a valuation carried out by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected to the JVCo2 Group.

The fair values were determined based on market comparison approach, where the values are assessed by reference to the comparable properties in close proximity and adjusted for differences in key attributes such as property size and location.

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

Details of the JVCo2 Group's investment properties and information about the fair value hierarchy as at 31 December 2011, 2012 and 2013 are as follows:

Investment properties	**Fair value (HK$'000)**	**Fair value hierarchy**	**Valuation technique**	**Significant unobservable inputs**
At 31 December 2011				
Commercial properties located in Hong Kong	380,000	Level 3	Market comparison approach	Adjusted average price per square foot of HK$12,039 (note)
At 31 December 2012				
Commercial properties located in Hong Kong	390,000	Level 3	Market comparison approach	Adjusted average price per square foot of HK$12,355 (note)
At 31 December 2013				
Commercial properties located in Hong Kong	510,000	Level 3	Market comparison approach	Adjusted average price per square foot of HK$16,156 (note)

Note: The higher the adjusted average price per square foot is, the higher the fair value will be.

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the Relevant Periods.

12. PLANT AND EQUIPMENT

	Furniture and equipment *HK$'000*
Cost	
At 1 January 2011	—
Additions	40
At 31 December 2011	40
Additions	7
At 31 December 2012	47
Additions	1
At 31 December 2013	48
Accumulated depreciation	
At 1 January 2011	—
Provided for the year	2
At 31 December 2011	2
Provided for the year	11
At 31 December 2012	13
Provided for the year	11
At 31 December 2013	24
Carrying values	
At 31 December 2011	38
At 31 December 2012	34
At 31 December 2013	24

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account of their estimated residual values at 25% per annum.

13. INVESTMENT IN A SUBSIDIARY

	As at 31 December 2011	As at 31 December 2012	As at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Unlisted shares, at cost	66,898	66,898	66,898

As at the date of this report, JVCo2 has the following subsidiary:

Name of subsidiary	Legal form, date and place of incorporation/ operation	Issued and fully paid up share capital	Proportion ownership interest directly held by JVCo2 As at 31 December 2011	As at 31 December 2012	As at 31 December 2013	Principal activity
Batilone	Limited liability company incorporated on 2 July 1991, Hong Kong	100 shares of HK$1 each	100%	100%	100%	Property development and investment

14. AMOUNT DUE FROM A SUBSIDIARY

The amount due is unsecured, interest free and has no fixed terms of repayment.

15. BANK BALANCES

Bank balances comprise demand deposits which carry interest at the prevailing deposit rates.

16. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount due is unsecured, interest free and has no fixed terms of repayment.

17. AMOUNTS DUE TO RELATED COMPANIES

JVCo2 Group

At 31 December 2011, the amounts due are unsecured and have no fixed terms of repayment. Except for an amount of approximately HK$7,956,000 that bears interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 3.25% per annum, the remaining amounts are non-interest bearing.

At 31 December 2012, the amounts due are unsecured and have no fixed terms of repayment. Except for an amount of approximately HK$12,884,000 that bears interest at HIBOR plus 3.25% per annum, the remaining amounts are non-interest bearing.

At 31 December 2013, the amounts due are unsecured, interest free and have no fixed terms of repayment.

JVCo2

At 31 December 2011 and 2012, the amount due is unsecured, interest bearing at HIBOR plus 3.25% per annum and has no fixed terms of repayment.

At 31 December 2013, the amount due is unsecured, interest free and has no fixed terms of repayment.

18. BANK BORROWINGS

	As at 31 December 2011	As at 31 December 2012	As at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Secured bank loans	221,325	223,681	226,037
Carrying amount repayable:			
within one year	—	—	226,037
more than one year, but not exceeding two years	—	223,681	—
more than two years, but not exceeding five years	221,325	—	—
	221,325	223,681	226,037
Less: Amounts due within one year shown under current liabilities	—	—	(226,037)
	221,325	223,681	—

The bank loans are denominated in Hong Kong dollar and bear interest at HIBOR plus 3.85% per annum.

The bank loans at 31 December 2011, 2012 and 2013 were secured by the investment properties at carrying amount of approximately HK$380,000,000, HK$390,000,000 and HK$510,000,000 respectively.

In April 2014, the JVCo2 Group refinanced the existing bank loans bearing interest at HIBOR plus 2.3% and with maturity in April 2017.

19. DEFERRED TAX ASSETS

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2011	—	—	—
(Charge)/credit to profit or loss	(4,587)	5,279	692
At 31 December 2011	(4,587)	5,279	692
(Charge)/credit to profit or loss	(772)	772	—
At 31 December 2012	(5,359)	6,051	692
(Charge)/credit to profit or loss	(925)	925	—
At 31 December 2013	(6,284)	6,976	692

At 31 December 2011, 2012 and 2013, the JVCo2 Group has unused tax losses of approximately HK$39,131,000, HK$47,510,000 and HK$50,773,000 respectively available for offset against future profits. A deferred tax asset of approximately HK$5,279,000, HK$6,051,000 and HK$6,976,000 has been recognized in respect of approximately HK$31,996,000, HK$36,671,000 and HK$42,275,000 of such losses. No deferred tax asset has been recognized in respect of the remaining of HK$7,135,000, HK$10,839,000 and HK$8,498,000 of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

20. DERIVATIVE FINANCIAL LIABILITIES

	As at 31 December 2011	As at 31 December 2012	As at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Interest rate swaps	4,849	—	—

The notional principal amounts of the outstanding IRS Contracts at 31 December 2011 were HK$110,000,000. At 31 December 2011, the fixed interest rates vary from 3.1% to 3.68% and the floating rate is HIBOR. The IRS Contracts mature in April 2013.

On 27 June 2012, the IRS Contracts was transferred from the JVCo2 Group to National Electronics (Consolidated) Limited, a related company of the JVCo2 Group.

21. SHARE CAPITAL

	Number of shares	Amount *US$*
Authorized:		
At 21 January 2011 (date of incorporation) and 31 December 2011, 2012 and 2013	50,000	50,000
Issued and fully paid:		
At 21 January 2011 (date of incorporation)	—	—
Issue of shares upon the Reorganization	1,000	1,000
At 31 December 2011, 2012 and 2013	1,000	1,000
		HK$'000
Present in the Financial Information as		8

JVCo2 was incorporated in the BVI on 21 January 2011 with an authorized share capital of US$50,000 divided into 50,000 shares of US$1 each and 1,000 shares were issued thereafter.

22. RESERVES OF JVCo2

	Share premium *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 21 January 2011 (date of incorporation)	—	—	—
Profit for the period and total comprehensive income for the period	—	1,112	1,112
Issue of shares upon the Reorganization	107,930	—	107,930
At 31 December 2011	107,930	1,112	109,042
Loss for the year and total comprehensive expense for the year	—	(439)	(439)
At 31 December 2012	107,930	673	108,603
Loss for the year and total comprehensive expense for the year	—	(448)	(448)
At 31 December 2013	107,930	225	108,155

23. MAJOR NON-CASH TRANSACTIONS

On 24 May 2011, JVCo2 entered into a reorganization agreement, pursuant to which JVCo2 has agreed to buy all the issued shares of Batilone (the "Shares") from Chirac and concurrently, JVCo2 has agreed to accept the assignment of the loan of HK$41,040,000 owing by Batilone to Chirac (the "Loan"). The consideration for the Shares and the assignment of Loan was settled by issuing and allotting 1,000 shares of US$1 each in JVCo2 to Chirac.

24. OPERATING LEASES

JVCo2 Group as lessor

At the end of the reporting period, the JVCo2 Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December 2011	As at 31 December 2012	As at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Within one year	—	3,914	3,005

25. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the Relevant Periods, the JVCo2 Group entered into the following significant transactions with related parties:

	Year ended 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Management fee paid to a related company (note (i))	412	3,254	4,121
Interest paid to a related company	28	428	403
Waiver of amount due to a related company	1,140	—	—
Gain on disposal of financial instruments to a related company (note (ii))	—	3,271	—

Notes:

(i) Management fee was paid for management services provided by Jervois Management Limited, a related company of the JVCo2 Group at terms agreed by both parties.

(ii) Pursuant to a novation agreement signed between National Electronics (Consolidated) Limited, DBS Bank (Hong Kong) Limited and Batilone dated 27 June 2012, the IRS Contracts was transferred from Batilone to National Electronics (Consolidated) Limited on agreement date. The JVCo2 Group did not pay any consideration in connection with the above transaction, resulting in a gain of approximately HK$3,271,000.

(b) Balance with related parties

Details of balances with related parties are set out in Notes 14, 16 and 17.

(c) Compensation of key management personnel

The remuneration paid and payable to key management of the JVCo2 Group, being the directors of JVCo2, for the Relevant Periods are set out in Note 10.

26. CAPITAL RISK MANAGEMENT

The JVCo2 Group manages its capital to ensure that the entities in the JVCo2 Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The JVCo2 Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the JVCo2 Group consists of net debt (which includes amount due to immediate holding company, amounts due to related companies and bank borrowings net of cash and cash equivalents) and equity attributable to owners of JVCo2 (comprising issued share capital and reserves).

The directors of JVCo2 review the capital structure regularly. As part of this review, JVCo2's directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the JVCo2's directors, the JVCo2 Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December 2011	As at 31 December 2012	As at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
JVCo2 Group			
Financial assets			
Loans and receivables			
- Accounts receivable	5	290	246
- Deposits	457	463	478
- Bank balances	11,243	18,012	22,725
	11,705	18,765	23,449
Financial liabilities			
Amortized cost			
- Tenancy deposits	96	2,336	2,099
- Accruals	4,034	1,229	831
- Amount due to immediate holding company	—	—	9,699
- Amounts due to related companies	8,366	15,989	7,689
- Bank borrowings	221,325	223,681	226,037
	233,821	243,235	246,355
Fair value through profit or loss (FVTPL)			
- Derivative financial liabilities	4,849	—	—
JVCo2			
Financial assets			
Loans and receivables			
- Amount due from a subsidiary	50,108	54,597	54,552
Financial liabilities			
Amortized cost			
- Amount due to immediate holding company	—	—	9,699
- Amount due to a related company	7,956	12,884	3,588
	7,956	12,884	13,287

(b) Financial risk management objectives and policies

The JVCo2 Group's major financial instruments include bank balances, amount due to immediate holding company, amounts due to related companies and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include interest rate risk, credit 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.

Interest rate risk

The JVCo2 Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 18 for details of these borrowings) and amounts due to related companies. It is the JVCo2 Group's policy to keep its borrowings at floating rate of interests so as to minimize the fair value interest rate risk.

The JVCo2 Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the JVCo2 Group's Hong Kong dollar denominated borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the JVCo2 Group's profit for the years ended 31 December 2011, 2012 and 2013 would decrease/increase by approximately HK$2,360,000, HK$2,409,000 and HK$2,280,000 respectively.

Credit risk

At the end of each reporting period, the JVCo2 Group's maximum exposure to credit risk which will cause a financial loss to the JVCo2 Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position.

In order to minimize the credit risk, the JVCo2 Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the JVCo2 Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of JVCo2 consider that the credit risk of the JVCo2 Group is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the JVCo2 Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the JVCo2 Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The JVCo2 Group had net current liabilities at 31 December 2013, which exposed the JVCo2 Group to liquidity risk. In order to mitigate the liquidity risk, the beneficial shareholder has agreed to provide adequate funds for the JVCo2 Group to meet in full its financial obligations as they fall due for the foreseeable future.

The following tables detail the JVCo2 Group's and JVCo2's remaining contractual maturity for its 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 the JVCo2 Group and JVCo2 can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

In addition, the following table details the JVCo2 Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the JVCo2 Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity table

JVCo2 Group

	Weighted average interest rate	Less than 1 year *HK$'000*	Over 1 year to 2 years *HK$'000*	Over 2 years to 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Total carrying amount *HK$'000*
31 December 2011						
Non-derivative financial liabilities						
Tenancy deposits	—	96	—	—	96	96
Accruals	—	4,034	—	—	4,034	4,034
Amounts due to related companies	3.51%	8,366	—	—	8,366	8,366
Bank borrowings	4.14%	9,581	9,581	236,220	255,382	221,325
		22,077	9,581	236,220	267,878	233,821
Derivatives — net settlement						
Interest rate swaps (note 7)		—	—	—	—	4,849
31 December 2012						
Non-derivative financial liabilities						
Tenancy deposits	—	2,336	—	—	2,336	2,336
Accruals	—	1,229	—	—	1,229	1,229
Amounts due to related companies	3.56%	15,989	—	—	15,989	15,989
Bank borrowings	4.15%	9,576	236,264	—	245,840	223,681
		29,130	236,264	—	265,394	243,235
31 December 2013						
Non-derivative financial liabilities						
Tenancy deposits	—	2,099	—	—	2,099	2,099
Accruals	—	831	—	—	831	831
Amount due to immediate holding company	—	9,699	—	—	9,699	9,699
Amounts due to related companies	—	7,689	—	—	7,689	7,689
Bank borrowings	4.08%	235,989	—	—	235,989	226,037
		256,307	—	—	256,307	246,355

JVCo2

	Weighted average interest rate	Less than 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Total carrying amount *HK$'000*
31 December 2011				
Non-derivative financial liabilities				
Amount due to a related company	3.51%	7,956	7,956	7,956
31 December 2012				
Non-derivative financial liabilities				
Amount due to a related company	3.56%	12,884	12,884	12,884
31 December 2013				
Non-derivative financial liabilities				
Amount due to immediate holding company	—	9,699	9,699	9,699
Amount due to a related company	—	3,588	3,588	3,588
		13,287	13,287	13,287

(c) Fair value measurements of financial instruments

The directors of JVCo2 consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

Fair value of the JVCo2 Group's financial liabilities that are measured at fair value on a recurring basis

Some of the JVCo2 Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial liabilities	**Fair value as at 31 December 2011** *(HK$'000)*	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
Interest rate swaps classified as financial liabilities as at FVTPL in the consolidated statement of financial position	4,849	Level 2	Discounted cash flow, future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of the counterparties

There were no transfers of fair value measurements between Level 1 and 2 and no transfers into or out of Level 3 during the Relevant Periods.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared of the JVCo2 Group, JVCo2 or its subsidiary in respect of any period subsequent to 31 December 2013.

Yours faithfully,

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hui Chun Keung, David
Practising Certificate Number: P05447

Hong Kong

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.

HLB 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

16 June 2014

The Directors
National Electronics Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Ally Vantage Limited ("JVCo3") and its subsidiaries (hereinafter collectively referred to as the "JVCo3 Group") for each of the three years ended 31 December 2011, 2012 and 2013 (the "Relevant Periods"), for inclusion in the circular of National Electronics Holdings Limited (the "Company") dated 16 June 2014 (the "Circular") in connection with the proposed acquisition of 73% equity interest in JVCo3.

JVCo3 was incorporated with limited liability in the British Virgin Islands (the "BVI") on 25 January 2011. Pursuant to a group reorganization (the "Reorganization") as set out in Note 1 to the Financial Information, which was completed on 24 May 2011, JVCo3 became the holding company of the subsidiaries comprising the JVCo 3 Group.

At the date of this report, JVCo3 has direct interests in the subsidiaries as set out in Note 12 to the Financial Information. In 2011, JVCo3 and its subsidiaries have changed their financial year end date from 31 March to 31 December.

No audited statutory financial statements have been prepared for JVCo3 since its date of incorporation as there is no statutory audit requirement in the BVI.

The statutory financial statements of Asiatic Limited ("Asiatic") and Lens Limited ("Lens") for the period from 1 April 2011 to 31 December 2011 and for each of the two years ended 31 December 2012 and 2013 were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.

For the purpose of this report, the directors of JVCo3 have prepared the consolidated financial statements of the JVCo3 Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with HKFRSs issued by the HKICPA.

We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. 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 set out in this report has been prepared from the Underlying Financial Statements on the basis set out in Note 1 to the Financial Information. No adjustments to the Underlying Financial Statements are considered necessary in the preparation of this report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of JVCo3 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 independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the JVCo3 Group and JVCo3 as at 31 December 2011, 2012 and 2013, and of the consolidated results and cash flows of the JVCo3 Group for the Relevant Periods.

A. FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December 2011 HK$'000	Year ended 31 December 2012 HK$'000	Year ended 31 December 2013 HK$'000
Revenue	5	—	1,135	22,268
Direct costs		—	(1,100)	(9,138)
Gross profit		—	35	13,130
Other income		—	—	50
Increase in fair value of investment properties	10	9,411	34,750	134,958
Administrative expenses		(141)	(2,476)	(1,503)
Finance costs	6	—	(2,124)	(7,529)
Profit before tax		9,270	30,185	139,106
Income tax	7	—	—	—
Profit for the year and total comprehensive income for the year	8	9,270	30,185	139,106

Consolidated Statements of Financial Position

	Notes	As at 31 December 2011 HK$'000	As at 31 December 2012 HK$'000	As at 31 December 2013 HK$'000
Non-current assets				
Investment properties	10	397,000	500,000	635,000
Plant and equipment	11	—	39	177
Deferred tax assets	19	797	797	797
		397,797	500,836	635,974
Current assets				
Accounts receivable		—	28	274
Deposits and prepayments		328	661	779
Amount due from a related company	14	—	—	6,107
Bank balances	15	3,167	39,425	11,973
		3,495	40,114	19,133
Current liabilities				
Receipt in advance		—	206	730
Tenancy deposits		—	374	1,058
Accruals		1,674	14,892	9,522
Amount due to immediate holding company	16	—	14,272	—
Amounts due to related companies	17	63,543	46,117	1,172
Bank borrowings	18	157,684	21,571	13,073
		222,901	97,432	25,555
Net current liabilities		(219,406)	(57,318)	(6,422)
Total assets less current liabilities		178,391	443,518	629,552
Capital and reserves				
Share capital	20	8	8	8
Reserves		178,383	208,568	347,674
Total equity		178,391	208,576	347,682
Non-current liabilities				
Bank borrowings	18	—	234,942	281,870
		178,391	443,518	629,552

Statements of Financial Position

	Notes	As at 31 December 2011 HK$'000	As at 31 December 2012 HK$'000	As at 31 December 2013 HK$'000
Non-current assets				
Investments in subsidiaries	12	68,598	68,598	68,598
Current assets				
Amounts due from subsidiaries	13	51,840	71,378	45,714
Amount due from a related company	14	—	—	6,107
		51,840	71,378	51,821
Current liabilities				
Amount due to immediate holding company	16	—	14,272	—
Amount due to a related company	17	—	5,278	—
		—	19,550	—
Net current assets		51,840	51,828	51,821
Net assets		120,438	120,426	120,419
Capital and reserves				
Share capital	20	8	8	8
Reserves	21	120,430	120,418	120,411
Total equity		120,438	120,426	120,419

Consolidated Statements of Changes in Equity

	Share capital	Share premium	Other reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 20)		*(Note)*		
At 1 January 2011	—	—	—	117,281	117,281
Profit for the year and total comprehensive income for the year	—	—	—	9,270	9,270
Issue of shares upon the Reorganization	8	120,430	(68,598)	—	51,840
At 31 December 2011	8	120,430	(68,598)	126,551	178,391
Profit for the year and total comprehensive income for the year	—	—	—	30,185	30,185
At 31 December 2012	8	120,430	(68,598)	156,736	208,576
Profit for the year and total comprehensive income for the year	—	—	—	139,106	139,106
At 31 December 2013	8	120,430	(68,598)	295,842	347,682

Note: Other reserve represents the difference between the aggregate amount of share capital of the subsidiaries and the value of the shares allotted and issued by JVCo3 in exchange for the equity interests in subsidiaries pursuant to the Reorganization.

Consolidated Statements of Cash Flows

	Year ended 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Profit before tax	9,270	30,185	139,106
Adjustments for:			
Increase in fair value of investment properties	(9,411)	(34,750)	(134,958)
Depreciation of plant and equipment	—	3	17
Finance costs	—	2,124	7,529
Operating cash flows before movements in working capital	(141)	(2,438)	11,694
Increase in accounts receivables	—	(28)	(246)
Increase in deposits and prepayments	(309)	(333)	(118)
Increase in receipt in advance	—	206	524
Increase in tenancy deposits	—	374	684
Increase/(decrease) in accruals	1,655	13,218	(5,370)
Net cash generated from operating activities	1,205	10,999	7,168
Cash flows from investing activities			
Additions to investment properties	(60,832)	(62,279)	(42)
Additions to plant and equipment	—	(42)	(155)
Increase in amount due from a related company	—	—	(6,107)
Net cash used in investing activities	(60,832)	(62,321)	(6,304)
Cash flows from financing activities			
Interest paid	(1,757)	(8,095)	(7,529)
New bank loan raised	59,982	263,937	60,000
Repayment of bank loan	—	(165,108)	(21,570)
Repayment to fellow subsidiaries	(59,173)	—	—
Advance from immediate holding company	—	14,272	(14,272)
Advances from/(repayments to) related companies	63,543	(17,426)	(44,945)
Net cash generated from/(used in) financing activities	62,595	87,580	(28,316)
Net increase/(decrease) in cash and cash equivalents	2,968	36,258	(27,452)
Cash and cash equivalents at the beginning of year	199	3,167	39,425
Cash and cash equivalents at the end of year	3,167	39,425	11,973
Represented by:			
Bank balances	3,167	39,425	11,973

Notes to the Financial Information

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

JVCo3 was incorporated with limited liability in the BVI on 25 January 2011. Its parent is GCPF Cayman Holding 11 Corp., a company incorporated in Cayman Islands and its ultimate parent is JPMorgan Greater China Property Fund Cayman Master, L.P., a Cayman Islands Exempted Limited Partnership. The addresses of the registered office and the principal place of business of JVCo3 are P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and Suite 3201, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong respectively. JVCo3 acts as an investment holding company. The principal activity of its subsidiaries is property development and investment.

Pursuant to a reorganization agreement dated 24 May 2011, JVCo3 acquired the entire interests in Asiatic and Lens from National Properties Holdings Limited ("NPHL") by issuing and allotting 1,000 shares of US$1 each to NPHL. Thereafter, JVCo3 has become the holding company of the JVCo3 Group. The companies now comprising the JVCo3 Group were under common control before and after the Reorganization. Accordingly, the Financial Information have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations".

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows are prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation where this is a shorter period. The consolidated statements of financial position as at 31 December 2011, 2012 and 2013 present the assets and liabilities of the companies now comprising the JVCo3 Group as if the current group structure had been in existence at those dates.

The Financial Information is presented in Hong Kong dollars ("HK$"), which is also the functional currency of JVCo3.

In preparing the Financial Information, the directors of JVCo3 have given careful consideration to the liquidity position and going concern status of the JVCo3 Group. As at 31 December 2013, the JVCo3 Group's current liabilities exceeded its current assets by approximately HK$6,422,000. The Financial Information has been prepared on a going concern basis because the beneficial shareholder of JVCo3, National Electronics Holdings Limited, has agreed to provide adequate funds for the JVCo3 Group to meet in full its financial obligations as they fall due for the foreseeable future.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the JVCo3 Group has consistently applied Hong Kong Accounting Standards, Hong Kong Financial Reporting Standards, amendments and interpretations (collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the accounting period beginning on 1 January 2013 throughout the Relevant Periods.

The JVCo3 Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[2]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabiliites[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) — Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 July 2014.

[3] Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

[5] Effective for annual periods beginning on or after 1 January 2016.

The directors of JVCo3 anticipate that the application of the new and revised HKFRSs will have no material impact on the consolidated financial statements of the JVCo3 Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Information has been prepared on the historical cost basis except for certain properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out 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, the JVCo3 Group 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 this Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized 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.

Basis of consolidation

The Financial Information incorporate the financial statements of JVCo3 and entities controlled by JVCo3. Control is achieved when JVCo3:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The JVCo3 Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the JVCo3 Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The JVCo3 Group considers all relevant facts and circumstances in assessing whether or not the JVCo3 Group's voting rights in an investee are sufficient to give it power, including:

- the size of the JVCo3 Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the JVCo3 Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the JVCo3 Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the JVCo3 Group obtains control over the subsidiary and ceases when the JVCo3 Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the JVCo3 Group gains control until the date when the JVCo3 Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of JVCo3 and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of JVCo3 and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the JVCo3 Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the JVCo3 Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The Financial Information incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Investments in subsidiaries

Investments in subsidiaries are included in the statement of financial position of JVCo3 at cost less any identified impairment loss. The results of the subsidiaries are accounted for by JVCo3 on the basis of dividend received and receivable.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the JVCo3 Group 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.

The JVCo3 Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The JVCo3 Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

The JVCo3 Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The JVCo3 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the JVCo3 Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the JVCo3 Group 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 tax liabilities or deferred tax assets 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 recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

Depreciation is recognized 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 derecognized 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 recognized in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalized as part of the carrying amount of the investment properties under construction.

An investment property is derecognized 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 derecognized.

Impairment on tangible assets

At the end of the reporting period, the JVCo3 Group 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. When it is not possible to estimate the recoverable amount of an individual asset, the JVCo3 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

Provisions are recognized when the JVCo3 Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the JVCo3 Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity 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 (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized 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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) 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 recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, 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 financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as accounts receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the JVCo3 Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

For financial assets measured at amortized cost, 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 recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity 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 an entity after deducting all of its liabilities. Equity instruments issued by the JVCo3 Group are recognized at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized 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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) 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 recognized on an effective interest basis.

Derecognition

The JVCo3 Group derecognizes 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. If the JVCo3 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the JVCo3 Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the JVCo3 Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the JVCo3 Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety, the JVCo3 Group allocates the previous carrying amount of the financial asset between the part it continues to recognize, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

The JVCo3 Group derecognizes financial liabilities when, and only when, the JVCo3 Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the JVCo3 Group's accounting policies, which are described in note 3, the directors of JVCo3 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 recognized 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the 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.

Estimate of fair value of investment properties

The valuation of investment properties is performed in accordance with the 'The HKIS Valuation Standards on Properties' published by the Hong Kong Institute of Surveyors.

The JVCo3 Group's investment properties are revalued at the end of the reporting period by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement on whether such valuations and assumptions made by the valuers are reasonable, the JVCo3 Group considers information from comparable current prices in an active market for similar properties, capitalization rates, terminal yield, rental income from current leases and assumptions about rental from future leases and the reversionary income potential, and the estimated costs to completion for investment properties under construction with reference to past experience and committed contracts as well as allowances for contingencies and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents rental income from properties.

The JVCo3 Group's operating activities are attributable to a single operating segment focusing on the property development and investment. This operating segment has been identified on the basis of internal management reports, prepared in accordance with HKFRSs, that are regularly reviewed by the directors of JVCo3, for allocating resources to the segment and assessing its performance.

All of the JVCo3 Group's business activities are attributable to the market in Hong Kong and all of the JVCo3 Group's assets are located in Hong Kong, therefore no geographical information is presented.

6. FINANCE COSTS

	Year ended 31 December 2011	**Year ended 31 December 2012**	**Year ended 31 December 2013**
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank borrowings			
- wholly repayable within five years	1,757	4,527	—
- not wholly repayable within five years	—	1,740	7,529
Other finance costs	—	1,828	—
Less: Amount capitalized in investment properties	(1,757)	(5,971)	—
	—	2,124	7,529

Borrowing costs during the years ended 31 December 2011 and 2012 are calculated by a capitalization rate of 1.66% and 1.61% per annum respectively to expenditure on investment properties.

7. INCOME TAX

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Relevant Periods.

No provision for Hong Kong Profits Tax has been made in the Financial Information as the JVCo3 Group has no assessable profits for the Relevant Periods.

The tax charge for the Relevant Periods can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December 2011	**Year ended 31 December 2012**	**Year ended 31 December 2013**
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	9,270	30,185	139,106
Tax at Hong Kong Profits Tax rate of 16.5%	1,530	4,981	22,952
Tax effect of income not taxable for tax purpose	(1,553)	(5,734)	(22,268)
Tax effect of expenses not deductible for tax purpose	—	2	1
Recognition of previously unrecognized tax losses	—	—	(685)
Tax effect of tax losses not recognized	23	751	—
Tax charge for the year	—	—	—

8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Auditors' remuneration	113	30	294
Depreciation of plant and equipment	—	3	17
Outgoings in respect of investment properties	—	1,100	9,138

9. DIRECTORS' EMOLUMENTS

No fees or other emoluments were paid to the directors of JVCo3 in respect of their services to the JVCo3 Group during the Relevant Periods, nor are any payable.

10. INVESTMENT PROPERTIES

	Year ended 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	325,000	397,000	500,000
Additions	62,589	68,250	42
Increase in fair value recognized in profit or loss	9,411	34,750	134,958
At 31 December	397,000	500,000	635,000
Unrealized gain on property revaluation included in profit or loss	9,411	34,750	134,958

The investment properties are situated in Hong Kong and held under long term lease.

The investment properties have been pledged to secure the bank loans granted to the JVCo3 Group.

The fair values of the investment properties as at 31 December 2011, 2012 and 2013 have been arrived at on the basis of a valuation carried out by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected to the JVCo3 Group.

The fair value of the investment properties under construction was determined by using residual approach with the basis that the investment properties will be developed and completed in accordance with the latest development proposals and taken into account the construction costs that will be expended to complete the development to reflect the quality of the completed development.

The fair values of the completed investment properties were determined based on market comparison approach, where the values are assessed by reference to the comparable properties in close proximity and adjusted for differences in key attributes such as property size and location.

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

Details of the JVCo3 Group's investment properties and information about the fair value hierarchy as at 31 December 2011, 2012 and 2013 are as follows:

Investment properties	Fair value *(HK$'000)*	Fair value hierarchy	Valuation technique	Significant unobservable inputs
At 31 December 2011				
Commercial properties under construction located in Hong Kong	397,000	Level 3	Residual approach	Adjusted average price per square foot of HK$11,670 (note (i)) Developer's profit and risk rate, taking into account of the progress of the properties of 3% (note (ii))
At 31 December 2012				
Commercial properties located in Hong Kong	500,000	Level 3	Market comparison approach	Adjusted average price per square foot of HK$12,156 (note (i))
At 31 December 2013				
Commercial properties located in Hong Kong	635,000	Level 3	Market comparison approach	Adjusted average price per square foot of HK$15,438 (note (i))

Notes:

(i) The higher the adjusted average price per square foot is, the higher the fair value will be.

(ii) The higher developer's profit and risk rate is, the lower the fair value will be.

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the Relevant Periods.

11. PLANT AND EQUIPMENT

	Furniture and equipment *HK$'000*
Cost	
At 1 January 2011 and 31 December 2011	—
Additions	42
At 31 December 2012	42
Additions	155
At 31 December 2013	197
Accumulated depreciation	
At 1 January 2011 and 31 December 2011	—
Provided for the year	3
At 31 December 2012	3
Provided for the year	17
At 31 December 2013	20
Carrying values	
At 31 December 2011	—
At 31 December 2012	39
At 31 December 2013	177

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account of their estimated residual values at 25% per annum.

12. INVESTMENTS IN SUBSIDIARIES

	As at 31 December 2011	As at 31 December 2012	As at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Unlisted shares, at cost	68,598	68,598	68,598

As at the date of this report, JVCo3 has the following subsidiaries:

Name of subsidiary	Legal form, date and place of incorporation/ operation	Issued and fully paid up share capital	Proportion ownership interest directly held by JVCo3 As at 31 December 2011	As at 31 December 2012	As at 31 December 2013	Principal activity
Asiatic	Limited liability company incorporated on 4 March 1993, Hong Kong	100 shares of HK$1 each	100%	100%	100%	Property development and investment
Lens	Limited liability company incorporated on 16 August 2007, Hong Kong	100 shares of HK$1 each	100%	100%	100%	Property development and investment

13. AMOUNTS DUE FROM SUBSIDIARIES

The amounts due are unsecured, interest free and have no fixed terms of repayment.

14. AMOUNT DUE FROM A RELATED COMPANY

	Maximum amount outstanding during the year ended 31 December 2013	As at 31 December 2011	As at 31 December 2012	As at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Seafield Capital Limited	6,107	—	—	6,107

The directors of JVCo3, Lee Yuen Ching Jimmy and Lee Yuen Kui, have beneficial interests in Seafield Capital Limited. The amount due is unsecured, interest free and has no fixed terms of repayment.

15. BANK BALANCES

Bank balances comprise demand deposits which carry interest at the prevailing deposit rates.

16. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount due is unsecured, interest free and has no fixed terms of repayment.

17. AMOUNTS DUE TO RELATED COMPANIES

The amounts due are unsecured, interest free and have no fixed terms of repayment.

18. BANK BORROWINGS

	As at 31 December 2011	As at 31 December 2012	As at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Secured bank loans	157,684	256,513	294,943
Carrying amount repayable:			
within one year	157,684	21,571	13,073
more than one year, but not exceeding two years	—	22,660	13,073
more than two years, but not exceeding five years	—	65,584	39,218
more than five years	—	146,698	229,579
	157,684	256,513	294,943
Less: Amounts due within one year shown under current liabilities	(157,684)	(21,571)	(13,073)
	—	234,942	281,870

The bank loans are denominated in Hong Kong dollar and bear interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.75% per annum.

The bank loans at 31 December 2011, 2012 and 2013 were secured by the investment properties at carrying amount of approximately HK$397,000,000, HK$500,000,000 and HK$635,000,000 respectively.

19. DEFERRED TAX ASSETS

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2011 and 31 December 2011	—	797	797
(Charge)/credit to profit or loss	(6,079)	6,079	—
At 31 December 2012	(6,079)	6,876	797
(Charge)/credit to profit or loss	(1,217)	1,217	—
At 31 December 2013	(7,296)	8,093	797

At 31 December 2011, 2012 and 2013, the JVCo3 Group has unused tax losses of approximately HK$4,998,000, HK$46,387,000 and HK$49,609,000 respectively available for offset against future profits. A deferred tax asset of approximately HK$797,000, HK$6,876,000 and HK$8,093,000 has been recognized in respect of approximately HK$4,829,000, HK$41,669,000 and HK$49,042,000 of such losses. No deferred tax asset has been recognized in respect of the remaining of HK$169,000, HK$4,718,000 and HK$567,000 of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

20. SHARE CAPITAL

	Number of shares	Amount
		US$
Authorized:		
At 25 January 2011 (date of incorporation) and 31 December 2011, 2012 and 2013	50,000	50,000
Issued and fully paid:		
At 25 January 2011 (date of incorporation)	—	—
Issue of shares upon the Reorganization	1,000	1,000
At 31 December 2011, 2012 and 2013	1,000	1,000
		HK$'000
Present in the Financial Information as		8

JVCo3 was incorporated in the BVI on 25 January 2011 with an authorized share capital of US$50,000 divided into 50,000 shares of US$1 each and 1,000 shares were issued thereafter.

21. RESERVES OF JVCo3

	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 25 January 2011 (date of incorporation)	—	—	—
Issue of shares upon the Reorganization	120,430	—	120,430
At 31 December 2011	120,430	—	120,430
Loss for the year and total comprehensive expense for the year	—	(12)	(12)
At 31 December 2012	120,430	(12)	120,418
Loss for the year and total comprehensive expense for the year	—	(7)	(7)
At 31 December 2013	120,430	(19)	120,411

22. MAJOR NON-CASH TRANSACTIONS

On 24 May 2011, JVCo3 entered into a reorganization agreement, pursuant to which JVCo3 has agreed to buy all the issued shares of Asiatic and Lens (the "Shares") from NPHL and concurrently, JVCo3 has agreed to accept the assignment of the loans in aggregate amount of HK$51,840,000 owing by Asiatic and Lens to NPHL (the "Loans"). The consideration for the Shares and the assignment of Loans was settled by issuing and allotting 1,000 shares of US$1 each in JVCo3 to NPHL.

23. OPERATING LEASES

JVCo3 Group as lessor

At the end of the reporting period, the JVCo3 Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December 2011	As at 31 December 2012	As at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Within one year	—	419	1,363

24. CAPITAL COMMITMENTS

	As at 31 December 2011	As at 31 December 2012	As at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure in respect of the construction of investment properties contracted for but not provided in the Financial Information	16,455	—	—

25. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the Relevant Periods, the JVCo3 Group entered into the following significant transactions with related parties:

	Year ended 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Management fee paid to a related company (note (i))	—	609	4,610

Notes:

(i) Management fee was paid for management services provided by 99 Bonham Management Limited, a related company of the JVCo3 Group at terms agreed by both parties.

(b) Balance with related parties

Details of balances with related parties are set out in Notes 13, 14, 16 and 17.

(c) Guarantees provided by the related parties

At 31 December 2011, 2012 and 2013, National Electronics Holdings Limited, a beneficial shareholder of the JVCo3 Group, provided corporate guarantee of HK$65,680,000, HK$72,000,000 and HK$81,460,000 respectively to a bank in connection with the bank loans granted to the JVCo3 Group.

(d) Compensation of key management personnel

The remuneration paid and payable to key management of the JVCo3 Group, being the directors of JVCo3, for the Relevant Periods are set out in Note 9.

26. CAPITAL RISK MANAGEMENT

The JVCo3 Group manages its capital to ensure that the entities in the JVCo3 Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The JVCo3 Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the JVCo3 Group consists of net debt (which includes amount due to immediate holding company, amounts due to related companies and bank borrowings net of cash and cash equivalents) and equity attributable to owners of JVCo3 (comprising issued share capital and reserves).

The directors of JVCo3 review the capital structure regularly. As part of this review, the JVCo3's directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the JVCo3's directors, the JVCo3 Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December 2011 HK$'000	As at 31 December 2012 HK$'000	As at 31 December 2013 HK$'000
JVCo3 Group			
Financial assets			
Loans and receivables			
- Accounts receivable	—	28	274
- Deposits	328	622	617
- Amount due from a related company	—	—	6,107
- Bank balances	3,167	39,425	11,973
	3,495	40,075	18,971
Financial liabilities			
Amortized cost			
- Tenancy deposits	—	374	1,058
- Accruals	1,674	14,892	9,522
- Amount due to immediate holding company	—	14,272	—
- Amounts due to related companies	63,543	46,117	1,172
- Bank borrowings	157,684	256,513	294,943
	222,901	332,168	306,695
JVCo3			
Financial assets			
Loans and receivables			
- Amounts due from subsidiaries	51,840	71,378	45,714
- Amount due from a related company	—	—	6,107
	51,840	71,378	51,821
Financial liabilities			
Amortized cost			
- Amount due to immediate holding company	—	14,272	—
- Amount due to a related company	—	5,278	—
	—	19,550	—

(b) Financial risk management objectives and policies

The JVCo3 Group's major financial instruments include bank balances, amount due to immediate holding company, amounts due to related companies and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include interest rate risk, credit 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.

Interest rate risk

The JVCo3 Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 18 for details of these borrowings). It is the JVCo3 Group's policy to keep its borrowings at floating rate of interests so as to minimize the fair value interest rate risk.

The JVCo3 Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the JVCo3 Group's Hong Kong dollar denominated borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the JVCo3 Group's profit for the years ended 31 December 2012 and 2013 would decrease/increase by approximately HK$2,565,000 and HK$2,949,000 respectively.

Credit risk

At the end of each reporting period, the JVCo3 Group's maximum exposure to credit risk which will cause a financial loss to the JVCo3 Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position.

In order to minimize the credit risk, the JVCo3 Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the JVCo3 Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of JVCo3 consider that the credit risk of the JVCo3 Group is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the JVCo3 Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the JVCo3 Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilization of bank borrowing and ensures compliance with loan covenants.

The JVCo3 Group had net current liabilities at 31 December 2013, which exposed the JVCo3 Group to liquidity risk. In order to mitigate the liquidity risk, the beneficial shareholder has agreed to provide adequate funds for the JVCo3 Group to meet in full its financial obligations as they fall due for the foreseeable future.

The following tables detail the JVCo3 Group's and JVCo3's remaining contractual maturity for its 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 the JVCo3 Group and JVCo3 can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

Liquidity table

JVCo3 Group

	Weighted average interest rate	Less than 1 year	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2011							
Non-derivative financial liabilities							
Accruals	—	1,674	—	—	—	1,674	1,674
Amounts due to related companies	—	63,543	—	—	—	63,543	63,543
Bank borrowings	1.66%	158,728	—	—	—	158,728	157,684
		223,945	—	—	—	223,945	222,901

	Weighted average interest rate	Less than 1 year	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2012							
Non-derivative financial liabilities							
Tenancy deposits	—	374	—	—	—	374	374
Accruals	—	14,892	—	—	—	14,892	14,892
Amount due to immediate holding company	—	14,272	—	—	—	14,272	14,272
Amounts due to related companies	—	46,117	—	—	—	46,117	46,117
Bank borrowings	3.04%	29,232	30,708	79,036	151,748	290,724	256,513
		104,887	30,708	79,036	151,748	366,379	332,168
31 December 2013							
Non-derivative financial liabilities							
Tenancy deposits	—	1,058	—	—	—	1,058	1,058
Accruals	—	9,522	—	—	—	9,522	9,522
Amounts due to related companies	—	1,172	—	—	—	1,172	1,172
Bank borrowings	2.97%	21,627	21,627	61,011	230,755	335,020	294,943
		33,379	21,627	61,011	230,755	346,772	306,695

JVCo3

	Weighted average interest rate	Less than 1 year	Total undiscounted cash flows	Total carrying amount
		HK$'000	*HK$'000*	*HK$'000*
31 December 2012				
Non-derivative financial liabilities				
Amount due to immediate holding company	—	14,272	14,272	14,272
Amount due to a related company	—	5,278	5,278	5,278
		19,550	19,550	19,550

(c) Fair value measurements of financial instruments

The directors of JVCo3 consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared of the JVCo3 Group, JVCo3 or its subsidiaries in respect of any period subsequent to 31 December 2013.

Yours faithfully,

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hui Chun Keung, David
Practising Certificate Number: P05447

Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF THE JV GROUPS

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

Business review

During the Year 2013, the JVCo2 Group was principally engaged in property investment. The JVCo2 Group holds the property located at No. 89 Jervois Street, Hong Kong, which was acquired at the cost of HK$90 million in May 2007. The property comprises a hotel being developed upon a site with a registered site area of approximately 2,105 sq.ft. (195.56 sq.m.), currently known as "The Jervois". The hotel provides 49 guest rooms and has come into operation since November 2011.

During the Year 2013, the JVCo3 Group was principally engaged in property investment. The JVCo3 Group holds the properties located at Nos. 101 and 103 Bonham Strand and No. 127 Wing Lok Street, Hong Kong and No. 99 Bonham Strand, Hong Kong which were acquired at the cost of HK$88 million in July 2007 and HK$28.8 million in December 2007 respectively. The property located at Nos. 99, 101 and 103 Bonham Strand and No. 127 Wing Lok Street, Hong Kong comprises a hotel building being developed upon the site with a registered site area of approximately 2,059 sq.ft. (191.29 sq.m.), currently known as "99 Bonham". The hotel provides 84 guest rooms and has come into operation since October 2012.

Both The Jervois and 99 Bonham received good market reviews and achieved satisfactory occupancy rates during Year 2013.

JVCo2 had engaged Jervois Management Limited, a wholly-owned subsidiary of the Company, to manage the JVCo2 Property since September 2011. The manager is a special purpose vehicle established by the Group to manage the JVCo2 Property as its principal business. The Group draws from its own hotel management experience since 2008 when it started managing its first hotel, The Putman, located at 202 Queen's Road Central. The manager provides various management services including daily operation, financial reporting and maintenance. The management fee payable to the manager is benchmarked against the net operating income of the JVCo2 Property, subject to a minimum floor amount. The management fee paid during the Year 2013 totalled approximately HK$1.17 million.

JVCo3 had engaged 99 Bonham Management Limited, a wholly-owned subsidiary of the Company, to manage the JVCo3 Property since September 2012. The manager is a special purpose vehicle established by the Group to manage the JVCo3 Property as its principal business. The Group draws from its own hotel management experience since 2008 when it started managing its first hotel, The Putman, located at 202 Queen's Road Central. The manager provides various management services including daily operation, financial reporting and maintenance. The management fee payable to the manager is benchmarked against the net operating income of the JVCo3 Property, subject to a minimum floor amount. The management fee paid during the Year 2013 totalled approximately HK$1.35 million.

The acquisition of the remaining 73% shareholding interest in JVCo2 and JVCo3, which will enable the Group to hold the entire issued capital of JVCo2 and JVCo3, provides a valuable investment opportunity for the Group to increase its property ownership at a reasonable price and enjoy revenue income derived from JVCo2 Property and JVCo3 Property on a fully-owned basis at the same time. The Directors believe that the property business portfolio of the Group will be strengthened and enhanced by the Acquisitions.

Financial review

The JVCo2 Group recorded a consolidated net gain of approximately HK$121.80 million for Year 2013. The gain was mainly attributable to the increase in fair value of the JVCo2 Property. During the Year 2013, the total revenue of the JVCo2 Group was approximately HK$23.52 million, which was mainly attributable to rental income received.

The JVCo2 Property had an average occupancy rate of above 75% during the first half of the year and above 85% during the second half of the year, at an average daily room rate of approximately HK$1,950 and HK$4,200 for its 700 square feet flats and 1,550 square feet flats respectively.

During the Year 2013, the cost of revenue of the JVCo2 Group was approximately HK$8.53 million, which was spent mainly on operating management fee, rates and government rent, and the expenses of the JVCo2 Group were approximately HK$13.15 million, which were spent mainly on payment of bank loan interest.

The JVCo3 Group recorded a consolidated net gain of approximately HK$139.11 million for Year 2013. The gain was mainly attributable to the increase in fair value of the JVCo3 Property. During the Year 2013, the total revenue of the JVCo3 Group was approximately HK$22.27 million, which was mainly attributable to rental income received.

The JVCo3 Property had an average occupancy rate of above 35% during the first half of the year and above 70% during the second half of the year, at an average daily room rate of approximately HK$1,550.

During the Year 2013, the cost of revenue of the JVCo3 Group was approximately HK$9.14 million, which was spent mainly on operating management fee, and the expenses of the JVCo3 Group were approximately HK$9.03 million, which were spent mainly on payment of bank loan interest.

Capital structure, liquidity and financial resources

During the Year 2013, the JVCo2 Group funded its operations mainly by loans from its shareholders and short term bank loans. As at 31 December 2013, the shareholders' loan of the JVCo2 Group was approximately HK$13.29 million, which was unsecured and interest free, and bank borrowings were approximately HK$226.04 million, which were secured by the JVCo2 Property.

During the Year 2013, the JVCo3 Group funded its operations mainly by long term bank loans. As at 31 December 2013, the bank borrowings of the JVCo3 Group were approximately HK$294.94 million, which were secured by the JVCo3 Property.

As at 31 December 2013, the current assets of the JVCo2 Group and JVCo3 Group were approximately HK$23.78 million and HK$19.13 million respectively and the current liabilities of the JVCo2 Group and JVCo3 Group were approximately HK$246.95 million and HK$25.56 million respectively. The current ratios of the JVCo2 Group and JVCo3 Group, represented by current assets as a percentage of current liabilities, were approximately 0.10 times and 0.75 times as at 31 December 2013 respectively, as compared to that of 0.94 times and 0.41 times as at 31 December 2012 respectively.

As at 31 December 2013, the total assets of the JVCo2 Group and JVCo3 Group amounted to approximately HK$534.50 million and HK$655.11 million respectively and the total liabilities of the JVCo2 Group and JVCo3 Group amounted to approximately HK$246.95 million and HK$307.43 million respectively. The gearing ratios of the JVCo2 Group and JVCo3 Group, represented by total liabilities as a percentage of total assets, were relatively stable and amounted to approximately 46.20% and 46.93% as at 31 December 2013 respectively, as compared to approximately 59.54% and 61.44% as at 31 December 2012 respectively.

Employment and remuneration policy

As at 31 December 2013, each of the JVCo2 Group and JVCo3 Group did not have any employee and therefore no staff cost was recorded for Year 2013.

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

Save as the development of the JVCo2 Property and JVCo3 Property, there was no significant investment held by the JVCo2 Group and JVCo3 Group respectively during Year 2013. Each of the JVCo2 and JVCo3 Group focused on its respective business of property investment.

Charge on assets

As at 31 December 2013, the JVCo2 Property of HK$510 million and the JVCo3 Property of HK$635 million were pledged to bank to secure certain loan facility granted to JVCo2 and JVCo3 respectively.

Contingent liabilities

Each of the JVCo2 Group and JVCo3 Group did not have any significant contingent liabilities as at 31 December 2013.

Significant acquisition and disposal

During Year 2013, each of the JVCo2 Group and JVCo3 Group did not have any significant acquisition or disposal of investment.

(ii) For the year ended 31 December 2012 (the "Year 2012")

Business review

During the Year 2012, the JVCo2 Group was principally engaged in property investment. The JVCo2 Property maintained a satisfactory occupancy rate since its launch in November 2011.

During the Year 2012, the JVCo3 Group was principally engaged in property investment. The principal property of the JVCo3 Group was the land located at Nos. 99, 101 and 103 Bonham Strand and No. 127 Wing Lok Street, Hong Kong, which was being developed into a boutique hotel and had commenced its business in October 2012.

JVCo2 had engaged Jervois Management Limited, a wholly-owned subsidiary of the Company, to manage the JVCo2 Property since September 2011. The management fee paid during the Year 2012 totalled approximately HK$0.9 million.

JVCo3 had engaged 99 Bonham Management Limited, a wholly-owned subsidiary of the Company, to manage the JVCo3 Property since September 2012. No management fee was payable during the Year 2012.

Financial review

Each of the JVCo2 Group and JVCo3 Group recorded a consolidated net gain of approximately HK$11.94 million and HK$30.19 million for the Year 2012 respectively, representing a significant increase of approximately 369.56% and 225.62% as compared to that of Year 2011. The gain was mainly attributable to the rental income received for JVCo2 Property and the increase in fair value of JVCo2 Property and JVCo3 Property.

During the Year 2012, the total revenue of the JVCo2 Group was approximately HK$15.69 million, which was mainly attributable to rental income received.

The JVCo2 Property had an average occupancy rate of above 35% during the first half of the year and above 70% during the second half of the year, at an average daily room rate of HK$1,800 for its 700 square feet flats and at an average monthly room rate of approximately HK$89,000 for its 1,550 square feet flats. Daily rental was not applicable to the 1,550 square feet flats.

During the Year 2012, the cost of revenue of the JVCo2 Group was approximately HK$6.14 million, which was spent mainly on operating management fee and rates and government rent, and the expenses of the JVCo2 Group were approximately HK$12.41 million, which were spent mainly on payment of bank loan interest.

During the Year 2012, the total revenue of the JVCo3 Group was approximately HK$1.14 million, which was mainly attributable to rental income received.

The JVCo3 Property had only commenced operation in October 2012, and the rental income recorded during the three months between October and December was approximately HK$1.14 million. The JVCo3 Property had an average occupancy rate of above 10% during the said three months, at an average monthly room rate of approximately HK$35,000. Daily rental was not applicable.

During the Year 2012, the cost of revenue of the JVCo3 Group was approximately HK$1.10 million, which was mainly for operating management fee, and the expenses of the JVCo3 Group were approximately HK$4.60 million, which were spent mainly on marketing and leasing expenses and payment of bank loan interest.

Capital structure, liquidity and financial resources

During the Year 2012, the JVCo2 Group funded its operations mainly by long term bank loans. As at 31 December 2012, the bank borrowings were approximately HK$223.68 million, which were secured by the JVCo2 Property.

During the Year 2012, the JVCo3 Group funded its operations mainly by loans from its shareholders and long term bank loans. As at 31 December 2012, the shareholders' loan of the JVCo3 Group was approximately HK$19.55 million, which was unsecured and interest free, and bank borrowings were approximately HK$256.51 million, which were secured by the JVCo3 Property.

As at 31 December 2012, the current assets of the JVCo2 Group and JVCo3 Group were approximately HK$18.95 million and HK$40.11 million respectively and the current liabilities of the JVCo2 Group and JVCo3 Group were approximately HK$20.26 million and HK$97.43 million respectively. The current ratios of the JVCo2 Group and JVCo3 Group, represented by current assets as a percentage of current liabilities, were approximately 0.94 times and 0.41 times as at 31 December 2012 respectively, as compared to approximately 0.94 times and 0.02 times as at 31 December 2011 respectively.

As at 31 December 2012, the total assets of the JVCo2 Group and JVCo3 Group amounted to approximately HK$409.68 million and HK$540.95 million respectively and the total liabilities of the JVCo2 Group and JVCo3 Group amounted to approximately HK$243.94 million and HK$332.37 million respectively. The gearing ratios of the JVCo2 Group and JVCo3 Group, represented by total liabilities as a percentage of total assets, were relatively stable and amounted to approximately 59.54% and 61.44% as at 31 December 2012 respectively, as compared to approximately 60.82% and 55.55% as at 31 December 2011 respectively.

Employment and remuneration policy

As at 31 December 2012, each of the JVCo2 Group and JVCo3 Group did not have any employee and therefore no staff cost was recorded for Year 2012.

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

Save as the development of the JVCo2 Property and JVCo3 Property, there was no significant investment held by the JVCo2 Group and JVCo3 Group respectively during Year 2012. Each of the JVCo2 and JVCo3 Group focused on its respective business of property investment.

Charge on assets

As at 31 December 2012, the JVCo2 Property of HK$390 million and the JVCo3 Property of HK$500 million were pledged to bank to secure certain loan facility granted to JVCo2 and JVCo3 respectively.

Contingent liabilities

Each of the JVCo2 Group and JVCo3 Group did not have any significant contingent liabilities as at 31 December 2012.

Significant Acquisition and Disposal

During the Year 2012, each of the JVCo2 Group and JVCo3 Group did not have any significant acquisition or disposal of investment.

(iii) For the year ended 31 December 2011 (the "Year 2011")

Business review

During the Year 2011, the JVCo2 Group was principally engaged in property investment. The principal property of the JVCo2 Group was the land located at No. 89 Jervois Street, Hong Kong, which was being developed into a boutique hotel and commenced its business in November 2011.

During the Year 2011, the JVCo3 Group was principally engaged in property investment. The principal property of the JVCo3 Group was the land located at Nos. 99, 101 and 103 Bonham Strand and No. 127 Wing Lok Street, Hong Kong, which was being developed into a boutique hotel and was earmarked to be launched in late 2012.

JVCo2 had engaged Jervois Management Limited, a wholly-owned subsidiary of the Company, to manage the JVCo2 Property since September 2011. No management fee was payable during the Year 2011.

JVCo3 did not engage any property manager during the Year 2011.

Financial review

During the Year 2011, the JVCo2 Group recorded a consolidated net gain of approximately HK$2.54 million, which was mainly attributable to the increase in fair value of the JVCo2 Property. During the Year 2011, the total revenue of the JVCo2 Group was approximately HK$0.24 million, which was mainly attributable to rental income received.

The JVCo2 Property had an average occupancy rate of approximately 4.5% during November and December, at an average daily room rate of HK$1,800 for its 700 square feet flats and at an average monthly room rate of approximately HK$89,000 for its 1,550 square feet flats. Daily rental was not applicable to the 1,550 square feet flats.

During the Year 2011, the cost of revenue of the JVCo2 Group was approximately HK$0.63 million, which was spent mainly on operating management fee, and the expenses of the JVCo2 Group were approximately HK$6.30 million, which were spent mainly on pre-opening expenses, professional fee and payment of interest on bank loan and derivative financial instruments.

During the Year 2011, the JVCo3 Property was still under development. The JVCo3 Group did not record any revenue but a consolidated net gain of approximately HK$9.27 million, which was mainly attributable to the increase in fair value of the JVCo3 Property.

During the Year 2011, the expenses of the JVCo3 Group were approximately HK$0.14 million, which were mainly for audit fee and professional fee.

Capital structure, liquidity and financial resources

During the Year 2011, the JVCo2 Group funded its operations mainly by long term bank loans. As at 31 December 2011, the bank borrowings were approximately HK$221.33 million, which were secured by the JVCo2 Property.

During the Year 2011, the JVCo3 Group funded its operations mainly by short term bank loans. As at 31 December 2011, the bank borrowings were approximately HK$157.68 million, which were secured by the JVCo3 Property.

As at 31 December 2011, the current assets of the JVCo2 Group and JVCo3 Group were approximately HK$11.78 million and HK$3.50 million respectively and the current liabilities of the JVCo2 Group and JVCo3 Group were approximately HK$12.54 million and HK$222.90 million respectively. The current ratios of the JVCo2 Group and JVCo3 Group, represented by current assets as a percentage of current liabilities, were approximately 0.94 times and 0.02 times as at 31 December 2011 respectively.

As at 31 December 2011, the total assets of the JVCo2 Group and JVCo3 Group amounted to approximately HK$392.51 million and HK$401.29 million respectively and the total liabilities of the JVCo2 Group and JVCo3 Group amounted to approximately HK$238.72 million and HK$222.90 million respectively. The gearing ratios of the JVCo2 Group and JVCo3 Group, represented by total liabilities as a percentage of total assets, were relatively stable and amounted to approximately 60.82% and 55.55% as at 31 December 2011 respectively.

Employment and remuneration policy

As at 31 December 2011, each of the JVCo2 Group and JVCo3 Group did not have any employee and therefore no staff cost was recorded for Year 2011.

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

Save as the development of the JVCo2 Property and JVCo3 Property, there was no significant investment held by the JVCo2 Group and JVCo3 Group respectively during Year 2011. Each of the JVCo2 and JVCo3 Group focused on its respective business of property investment.

Charge on assets

As at 31 December 2011, the JVCo2 Property of HK$380 million and the JVCo3 Property of HK$397 million were pledged to bank to secure certain loan facility granted to JVCo2 and JVCo3 respectively.

Contingent liabilities

Each of the JVCo2 Group and JVCo3 Group did not have any significant contingent liabilities as at 31 December 2011.

Significant Acquisition and Disposal

During the Year 2011, each of the JVCo2 Group and JVCo3 Group did not have any significant acquisition or disposal of investment.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The following is extracted from the 2013 annual report of the Company.

Corporate strategy

The Group's long-term objective and strategy is to maximize shareholder value through the stable growth in our core businesses and operations while exploring new opportunities for investment in sustainable long-term growth.

The Group's watch manufacturing and watch component trading division looks to continue building upon its strength and leadership in the high-function watch and watch-related products space while using our expertise in research and development to develop new technologies and applications for future growth.

The Group's Property development and investment divisions remain committed to building the highest quality developments with a focus on design excellence. Through long-term planning and diligent market research, the Group will look at expanding our offering and transferring our expertise into different markets, both in terms of product as well as geography.

Business review

Watches and watch components

During the financial year ended 31 March 2013 ("FY2013"), the sales revenue of the Group's watch manufacturing and watch component trading division decreased by 11% to HK$1,148 million while the segment profit decreased by 7% to HK$41 million due to sluggish recovery of world economy.

Property development and investment

During FY2013, no property for development was sold and the sales revenue of the Group's property investment division represented the rental income generated by the Group's investment properties.

Segment profit of the property investment division for FY2013 included the net increase in fair value of investment properties of the Group.

Hotel operation

The sales revenue of the Group's hotel operation division increased to HK$18.7 million as the full year operation income generated by the boutique hotel apartment, The Putman, was recorded in 2013 while only a few months of operation income was recorded in 2012 due to the timing of the acquisition of the hotel apartment.

Associates

The Group shared a profit of HK$136 million (2012: HK$103 million) from its associates.

Financial review

Liquidity and financial resources

As at 31 March 2013, the Group's total borrowings were approximately HK$1,587 million (2012: HK$961 million), representing an increase of approximately HK$626 million from last year. The maturity profile spreads over a period of 30 years, with approximately HK$511 million repayable within one year, approximately HK$799 million within two to five years and HK$277 million beyond five years.

As at 31 March 2013, the Group's gearing ratio was 0.68 (2012: 0.27) which was calculated based on the Group's long-term borrowings of approximately HK$1,076 million (2012: HK$378 million) and shareholders' funds of approximately HK$1,592 million (2012: HK$1,389 million).

As at 31 March 2013, the Group's total bank balances and cash was approximately HK$616 million (2012: HK$283 million).

Similar to the past years, the Group has maintained a reasonable level of cash resources and stand-by credit facilities to provide adequate liquid funds to finance its commitments and working capital requirements.

Treasury policies

As at 31 March 2013, 78% of the Group's borrowings was in HK$, 9% in US$, 8% in JPY and 5% in CAD. As at 31 March 2013, 77% of the Group's bank balances and cash was in HK$, 8% in JPY, 8% in CNY, 5% in US$ and 2% in others.

All the Group's borrowings are variable-rate borrowings. The Group will carefully monitor its foreign exchange and interest rates exposure and utilise financial instruments such as forward contracts and interest rate swaps as necessary.

Future plans for material investments

The Group currently has no other plans for material investments. Any acquisition will be funded by internal resources of the Group and bank borrowings.

Charges on assets

As at 31 March 2013, certain properties of the Group of approximately HK$2,241 million (2012: HK$1,092 million) were pledged to secure banking facilities for the Group.

Employees

As at 31 March 2013, the Group employed approximately 1,900 employees in Hong Kong, the PRC and other overseas countries. The staff costs for the year including directors' emoluments amounted to HK$148 million (2012: HK$154 million). Remuneration is determined by reference to market terms as well as the qualifications and experiences of the staff concerned. Salaries are reviewed annually and discretionary bonuses may be paid depending on individual performance and the profitability of the 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 Acquisitions.

The Unaudited Pro Forma Financial Information has been prepared as if the Acquisitions had been completed on 30 September 2013 and is based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2013 as extracted from the interim report of the Group for the six months ended 30 September 2013; (ii) the audited consolidated statement of financial position of the JVCo2 Group as at 31 December 2013 as set out in Appendix IV to this circular and (iii) the audited consolidated statement of financial position of the JVCo3 Group as at 31 December 2013 as set out in Appendix V to this circular after making pro forma adjustments that are (i) directly attributable to the Acquisitions 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 2013 or any future date.

	The Group as at 30 September 2013	JVCo2 as at 31 December 2013	JVCo3 as at 31 December 2013	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5(i))*	*(Note 5(ii))*	*(Note 5(iii))*	*(Note 5(iv))*	*(Note 6)*	*(Note 7)*	
Non-current assets											
Investment properties	731,612	510,000	635,000								1,876,612
Property, plant and equipment	572,146	24	177								572,347
Prepaid lease payments	12,639	—	—								12,639
Goodwill	678	—	—					6,629			7,307
Interests in associates	210,880	—	—			40,183	(77,541)	(95,664)			77,858
Interests in joint ventures	—	—	—								—
Available-for-sale investments	21,230	—	—								21,230
Deferred tax assets	—	692	797								1,489
Derivative financial instruments	3	—	—								3
	1,549,188	510,716	635,974								2,569,485
Current assets											
Inventories	134,288	—	—								134,288
Prepaid lease payments	326	—	—								326
Investment held for trading	4,058	—	—								4,058
Inventory of unsold properties	7,359	—	—								7,359

	The Group as at 30 September 2013	JVCo2 as at 31 December 2013	JVCo3 as at 31 December 2013	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5(i))*	*(Note 5(ii))*	*(Note 5(iii))*	*(Note 5(iv))*	*(Note 6)*	*(Note 7)*	
Properties under development for sale	1,230,970	—	—								1,230,970
Bills receivables	805	—	—								805
Trade receivables, deposits and prepayments	152,411	1,054	1,053								154,518
Amounts due from associates	75,124	—	—						(2,754)		72,370
Amounts due from joint ventures	21,350	—	—								21,350
Amount due from a related company	—	—	6,107						(6,107)		—
Tax recoverable	778	—	—								778
Bank balances and cash	582,785	22,725	11,973	(231,995)						(1,350)	384,138
	2,210,254	23,779	19,133								2,010,960
Current liabilities											
Trade payables, customers' deposits and accrued expenses	156,556	3,529	11,310								171,395
Bills payables	97,844	—	—								97,844
Amount due to an associate	46,816	—	—								46,816
Amount due to immediate holding company	—	9,699	—				(9,699)				—
Amounts due to related companies	—	7,689	1,172						(8,861)		—
Tax payable	10,101	—	—								10,101
Obligations under finance leases	6,618	—	—								6,618
Bank loans	524,503	226,037	13,073	126,000							899,613
	842,438	246,954	25,555								1,222,387
Net current assets/(liabilities)	1,367,816	(223,175)	(6,422)								788,573
Total assets less current liabilities	2,917,004	287,541	629,552								3,358,058
Non-current liabilities											
Provisions for long service payments	6,731	—	—								6,731
Obligations under finance leases	31,687	—	—								31,687
Bank loans	1,211,462	—	281,870	120,000							1,613,332
Deferred tax liabilities	74,943	—	—								74,943
	1,324,823	—	281,870								1,726,693
Net assets	1,592,181	287,541	347,682								1,631,365

	The Group as at 30 September 2013	JVCo2 as at 31 December 2013	JVCo3 as at 31 December 2013	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5(i))*	*(Note 5(ii))*	*(Note 5(iii))*	*(Note 5(iv))*	*(Note 6)*	*(Note 7)*	
CAPITAL AND RESERVES											
Share capital	95,819	8	8		(16)						95,819
Reserves	1,496,362	287,533	347,674		(635,207)	40,183	351			(1,350)	1,535,546
Total equity	1,592,181	287,541	347,682								1,631,365

Notes to the Unaudited Pro Forma Financial Information:

1. The balances have been extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2013 as set out in the interim report of the Company for the six months ended 30 September 2013.

2. The balances have been extracted from the audited consolidated statement of financial position of the JVCo2 Group as at 31 December 2013 as set out in Appendix IV to this circular.

3. The balances have been extracted from the audited consolidated statement of financial position of the JVCo3 Group as at 31 December 2013 as set out in Appendix V to this circular.

4. Pursuant to the JVCo2 Agreement and JVCo3 Agreement, the consideration for the Acquisitions is approximately HK$477,995,000 in aggregate, of which approximately HK$219,348,000 is attributable to the acquisition of 73% equity interest in JVCo2 and the assignment of shareholder's loan owed by JVCo2 to JVCo2 Seller and approximately HK$258,647,000 is attributable to the acquisition of 73% equity interest in JVCo3. The consideration is funded by the internal resources of the Group of HK$231,995,000 and external borrowing of HK$246,000,000.

5. The identifiable assets and liabilities of the JVCo2 Group and the JVCo3 Group 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" ("HKFRS 3").

   For the purposes of the Unaudited Pro Forma Financial Information, the Directors assumed that the fair value of identifiable assets and liabilities of the JVCo2 Group and the JVCo3 Group are same as their respective carrying amounts as at 31 December 2013.

   The actual fair values of the assets and liabilities will be determined as of the date of completion 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.

   In accordance with HKFRS 3, the Group's existing 27% equity interest in JVCo2 and 27% equity interest in JVCo3 ("Initial Equity Investments") will be remeasured at fair value as at the date of completion and any difference between the fair values of the Initial Equity Investments as at the date of completion and the carrying amounts of the Initial Equity Investments that were equity accounted for in the consolidated financial statement of the Group as at the date of acquisition will be recognized in the consolidated statement of profit or loss of the Group as a gain or loss.

For the purposes of the Unaudited Pro Forma Financial Information, the fair values of the Initial Equity Investments are estimated based on the consideration paid for the acquisition of the additional 73% equity interest in JVCo2 and 73% equity interest in JVCo3.

On completion, the actual fair values of the Initial Equity Investments will have to be reassessed and accordingly, their fair values at the date of completion will be different from the amounts disclosed in the Unaudited Pro Forma Financial Information.

(i) This adjustment represents the consolidation entry to eliminate the share capital and pre-acquisition reserves of the JVCo2 Group and the JVCo3 Group on consolidation;

(ii) This adjustment represents the fair value gain arising from the remeasurement of the Initial Equity Investments (which are presented as investments in associates in the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2013) of approximately HK$40,183,000.

	JVCo2	**JVCo3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Fair value of the Group's existing 27% equity interest	77,541	95,664	173,205
Less: Carrying amount of the Group's existing 27% equity interest as at 30 September 2013	(57,078)	(75,944)	(133,022)
Fair value gain arising from the remeasurement of the Group's existing 27% equity interest	20,463	19,720	40,183

(iii) This adjustment relates to the recognition of bargain purchase gain of approximately HK$351,000, being the excess amount of the fair value of the identifiable net assets of the JVCo2 Group over the consideration transferred and the fair value of the Group's existing 27% equity interest in JVCo2. The amount of bargain purchase gain would change depending on the fair value of the identifiable net assets of the JVCo2 Group and the fair value of the Group's existing 27% equity interest in JVCo2 determined at the date of completion.

	HK$'000
Consideration transferred	219,348
Less: Assignment of shareholder's loan	(9,699)
Plus: Fair value of the Group's existing 27% equity interest in JVCo2	77,541
Less: Fair value of net assets acquired	(287,541)
Bargain purchase gain arising on acquisition	(351)

(iv) This adjustment relates to the recognition of goodwill of approximately HK$6,629,000, being the excess amount of the consideration transferred and the fair value of the Group's existing 27% equity interest in JVCo3 over the fair value of the identifiable net assets of the JVCo3 Group. The amount of goodwill would change depending on the fair value of the identifiable net assets of the JVCo3 Group and the fair value of the Group's existing 27% equity interest in JVCo3 determined at the date of completion.

	HK$'000
Consideration transferred	258,647
Plus: Fair value of the Group's existing 27% equity interest in JVCo3	95,664
Less: Fair value of net assets acquired	(347,682)
Goodwill	6,629

For the purposes of the Unaudited Pro Forma Financial Information, the Directors have assessed whether there is any impairment on goodwill as at 30 September 2013 in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36") which is consistent with the accounting policy of the Group. The Directors concluded that there is no impairment in respect of the goodwill as at 30 September 2013.

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.

6. This adjustment represents the elimination of balance between the Group and the JVCo2 Group and balance between the Group and the JVCo3 Group.

7. The adjustment represents payment of the estimated transaction cost of the Acquisitions of approximately HK$1,350,000.

8. The Unaudited Pro Forma Financial Information does not take account of any trading results or other transactions of the Group subsequent to 30 September 2013 and of the JVCo2 Group and the JVCo3 Group subsequent to 31 December 2013.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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.

HLB 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 ACCOUNTANTS' 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 2013 and related notes as set out on pages VII-1 to VII-5 of the circular issued by the Company dated 16 June 2014 (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 8.

The pro forma financial information has been compiled by the directors to illustrate the impact of the proposed acquisition of 73% equity interest in Smart Plus Group Limited and 73% equity interest in Ally Vantage Limited on the Group's financial position as at 30 September 2013 as if the transaction had taken place at 30 September 2013. 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 2013, 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 AG 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").

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 (HKSAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and 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 2013 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, 16 June 2014

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives 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 Companies 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	—	—	250,637,835 *(note a)*	250,637,835	26.75%
Mr. Loewe Lee Bon Chi	Managing Director	30,000,000	—	250,637,835 *(note a)*	280,637,835	29.95%
Mr. James Lee Yuen Kui	Managing Director	5,940	—	237,102,979 *(note b)*	237,108,919	25.31%
Mr. Edward Lee Yuen Cheor	Director	—	—	237,102,979 *(note b)*	237,102,979	25.30%
Mr. Ricky Wai Kwong Yuen	Director	—	37,267,767 *(note c)*	—	37,267,767	3.98%
Dr. Samson Sun, M.B.E., J.P.	Director	—	5,288,968 *(note d)*	—	5,288,968	0.56%

(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)	15,200,000	15,200,000	1.62%
Mr. William Chan Chak Cheung	Independent Non-executive Director (Beneficial owner)	300,000	300,000	0.03%
Mr. Chan Kwok Wai	Independent Non-executive Director (Beneficial owner)	300,000	300,000	0.03%

Notes:

(a) The 250,637,835 shares 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 are named beneficiaries.

(b) The 237,102,979 shares 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.

(c) The 37,267,767 shares are held by two companies controlled by Mr. Ricky Wai Kwong Yuen.

(d) The 5,288,968 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 Directors or chief executives 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 Companies 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 2013 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

At the Latest Practicable Date, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 15,800,000, representing 1.69% 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 year ended 31 March 2014:

Name of director	Date of grant	Exercise period	Exercise price per share *HK$*	Balance at 1.4.2013	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Balance at 31.03.2014
Mr. Loewe Lee Bon Chi	18.3.2010	18.3.2010 — 17.03.2018	0.542	9,200,000	—	—	—	—	9,200,000
	23.3.2011	23.3.2011 — 22.3.2018	0.760	6,000,000	—	—	—	—	6,000,000
Mr. William Chan Chak Cheung	23.3.2011	23.3.2011 — 22.3.2018	0.760	300,000	—	—	—	—	300,000
Mr. Chan Kwok Wai	23.3.2011	23.3.2011 — 22.3.2018	0.760	300,000	—	—	—	—	300,000

The closing price of the Company's share immediately before 18 March 2010, the date of grant of the options, was HK$0.540 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 a Director or chief executive of the Company) 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.

3. 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).

4. 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 Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their associates (as such term is defined in the Listing Rules) had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. EXPERT AND CONSENT

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

(a) Name	(b) Qualification
DTZ Debenham Tie Leung Limited	Professional Surveyors and Valuers
HLB Hodgson Impey Cheng Limited	Certified Public Accountants

DTZ Debenham Tie Leung Limited ("DTZ") and HLB Hodgson Impey Cheng Limited ("HLB") do not have 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 DTZ and HLB has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and/or references to its name in the form and context in which they are included.

As at the Latest Practicable Date, DTZ and HLB did not have any direct or indirect interests in any assets which have been, since 31 March 2013 (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.

7. 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 disposal agreement entered into on 8 May 2012 by Century Land Limited, which the Company owns 20% of its entire issued share capital, with an independent party not connected with the Company in relation to the disposal of the land and building situated on No. 50 Connaught Road Central, Hong Kong for a consideration of HK$4.88 billion;

(b) an acquisition agreement entered into on 9 August 2012 by Tania Investments Limited, a wholly-owned subsidiary of the Company, with GCPF Cayman Holdings 6 Corp., in relation to the acquisition of 50% of the issued share capital of Tania Investments Holdings Limited at a consideration of HK$250 million;

(c) an acquisition agreement entered into on 4 September 2012 by Samford Limited, a wholly-owned subsidiary of the Company, with Supreme Class Limited, in relation to the purchase of House No. C36 Regalia Bay, No. 88 Wong Ma Kok Road, Hong Kong (including two car parking spaces) at a consideration of HK$80 million;

(d) the JVCo2 Agreement (and the JVCo2 Other Documents), the JVCo3 Agreement (and the JVCo3 Other Document), the deed of termination of the umbrella agreement dated 28 April 2014 and the agreement to waive the JVCO1 Right of First Offer dated 28 April 2014. For further details, please refer to section 4 ("Documents entered into in connection with the Acquisitions") above;

(e) an acquisition agreement entered into on 7 May 2014 by St. Thomas Developments Incorporated, a wholly-owned subsidiary of the Company, with Arsandco Investments Limited, in relation to the purchase of a piece of vacant land located at 88 Queen Street East and 20 and 30 Mutual Street, Toronto, Ontario, Canada and its lease at a consideration of C$87,500,000 (which is equivalent to approximately HK$622,073,375); and

(f) an agreement entered into on 15 May 2014 by Harbour Horizon Holdings Limited, an indirect wholly-owned subsidiary of the Company with Ten Acre (Mayfair) Two Limited in relation to the grant and acceptance of leasehold property interests 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.

8. 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 30 June 2014:

(a) the memorandum of association and Bye-laws of the Company and the memorandum and articles of association of JVCo2 and JVCo3;

(b) the annual reports of the Company of each of the two financial years immediately preceding the issue of this circular;

(c) the letter and valuation certificate referred to in Appendixes II and III to this circular;

(d) the accountants' report on JVCo2 Group and JVCo3 Group referred to in Appendixes IV and V to this circular;

(e) the report from HLB Hodgson Impey Cheng Limited on the unaudited pro forma financial information of the Enlarged Group referred to in Appendix VII to this circular;

(f) the written consent given by DTZ and HLB;

(g) the material contracts referred to in this appendix; and

(h) this circular.

9. 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.