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NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

MAJOR TRANSACTION

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DEFINITIONS

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

“Announcement”	announcement of the Company dated 3 June 2011 in relation to the Disposals
“associates”	has the meaning ascribed in the Listing Rules
“Asiatic”	Asiatic Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of JVCo 3
“Batilone”	Batilone Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of JVCo 2
“Board”	the board of directors of the Company
“Building Construction 1”	construction works, including but without limited to, site preparation, site formation, design, foundation and substructure, superstructure, and other miscellaneous work of Project 1, but excluding furnishings and interior fitting out works
“Building Construction 2”	construction works, including but without limited to, site preparation, site formation, design, foundation and substructure, superstructure, and other miscellaneous work of Project 2, but excluding furnishings and interior fitting out works
“Building Construction 3”	construction works, including but without limited to, site preparation, site formation, design, foundation and substructure, superstructure, and other miscellaneous work of Project 3, but excluding furnishings and interior fitting out works
“Business Day”	a day other than a Saturday or Sunday, on which banks are open in Hong Kong and New York to the general public for business
“Company”	National Electronics Holdings Limited, a company incorporated in Bermuda, whose shares are listed on the Main board of the Stock Exchange
“Completion 1”	completion of Disposal 1
“Completion 2”	completion of Disposal 2
“Completion 3”	completion of Disposal 3

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“Completion Date 1”	the date on which the Completion 1 takes place, i.e. 30 March 2011
“Completion Date 2”	the date on which the Completion 2 takes place, i.e. 7 June 2011
“Completion Date 3”	the date on which the Completion 3 takes place, i.e. 7 June 2011
“connected person(s)”	has the meaning ascribed in the Listing Rules
“Consideration 1”	the consideration of HK\$72,600,000 in respect of Disposal 1
“Consideration 2”	the consideration of HK\$110,960,000 in respect of Disposal 2
“Consideration 3”	the consideration of HK\$140,160,000 in respect of Disposal 3
“Directors”	the directors of the Company
“Disposal 1”	the sale of JVCo1 Sale Shares by Seller 1 to Purchaser 1 pursuant to Disposal Agreement 1
“Disposal 2”	the sale of JVCo2 Sale Shares by Seller 2 to Purchaser 2 pursuant to Disposal Agreement 2
“Disposal 3”	the sale of JVCo3 Sale Shares by Seller 3 to Purchaser 3 pursuant to Disposal Agreement 3
“Disposals”	Disposal 1, Disposal 2 and Disposal 3
“Disposal Agreement 1”	the sale and purchase agreement dated 30 March 2011 entered into between Seller 1, Purchaser 1 and the Company for the sale and purchase of JVCo1 Sale Shares
“Disposal Agreement 2”	the sale and purchase agreement dated 3 June 2011 entered into between Seller 2, Purchaser 2 and the Company for the sale and purchase of JVCo2 Sale Shares
“Disposal Agreement 3”	the sale and purchase agreement dated 3 June 2011 entered into between Seller 3, Purchaser 3 and the Company for the sale and purchase of JVCo3 Sale Shares
“DTZ”	DTZ Debenham Tie Leung Limited, an independent valuer
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel License 1”	the hotel license to be issued by the relevant licensing authority under the provisions of the Hotel and Guesthouse Accommodation Ordinance (Cap. 349) for Project 1

DEFINITIONS

“Hotel License 2”	the hotel license to be issued by the relevant licensing authority under the provisions of the Hotel and Guesthouse Accommodation Ordinance (Cap. 349) for Project 2
“Hotel License 3”	the hotel license to be issued by the relevant licensing authority under the provisions of the Hotel and Guesthouse Accommodation Ordinance (Cap. 349) for Project 3
“Hotel License 1 Issuance Date”	the date on which the Hotel License 1 is first issued
“Hotel License 2 Issuance Date”	the date on which the Hotel License 2 is first issued
“Hotel License 3 Issuance Date”	the date on which the Hotel License 3 is first issued
“Hotel License 1 Milestone Date”	29 February 2012
“Hotel License 2 Milestone Date”	31 October 2011
“Hotel License 3 Milestone Date”	31 May 2012
“Independent Third Party(ies)”	an independent third party not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates and connected persons
“Interior Fit-Out 1”	any interior fit-out and furnishing works, including but not limited to the supply and installation of interior decoration, furniture, furnishings, fixtures, operating equipment, signage and artworks of Project 1, but excluding Building Construction 1 works
“Interior Fit-Out 2”	any interior fit-out and furnishing works, including but not limited to the supply and installation of interior decoration, furniture, furnishings, fixtures, operating equipment, signage and artworks of Project 2, but excluding Building Construction 2 works
“Interior Fit-Out 3”	any interior fit-out and furnishing works, including but not limited to the supply and installation of interior decoration, furniture, furnishings, fixtures, operating equipment, signage and artworks of the Project 3, but excluding Building Construction 3 works
“Latest Practicable Date”	23 June 2011, 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 is a wholly-owned subsidiary of JVCo 3

DEFINITIONS

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“JVCo 1”	Mercato Group Limited, a company incorporated in the British Virgin Islands which is a wholly-owned subsidiary of Seller 1 and owns the entire issued share capital in Panteria
“JVCo 2”	Smart Plus Group Limited, a company incorporated in the British Virgin Islands which is a wholly-owned subsidiary of Seller 2 and owns the entire issued share capital in Batilone
“JVCo 3”	Ally Vantage Limited, a company incorporated in the British Virgin Islands which is a wholly-owned subsidiary of the Seller 3 and owns the entire issued share capital in Asiatic and Lens
“JVCo1 Sale Shares”	605 shares in JVCo 1, representing 60.5% of the total issued share capital of JVCo 1
“JVCo2 Sale Shares”	730 shares in JVCo 2, representing 73% of the total issued share capital of JVCo 2
“JVCo3 Sale Shares”	730 shares in JVCo 3, representing 73% of the total issued share capital of JVCo 3
“JVCo1 Shares”	shares of US\$1.00 each in JVCo 1
“JVCo2 Shares”	shares of US\$1.00 each in JVCo 2
“JVCo3 Shares”	shares of US\$1.00 each in JVCo 3
“MOA”	a memorandum of agreement dated 21 April 2011 entered into between NPHL and the Purchaser 2 and Purchaser 3
“NPHL”	National Properties Holdings Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, which indirectly owns the entire issued share capital of Seller 1 and Seller 2 and directly owns the entire issued share capital of Seller 3
“Panteria”	Panteria International Limited, a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of JVCo 1
“Project 1”	a development project to be erected on Property 1 with gross floor area of approximately 29,760 square feet to be erected in accordance with the plans and specifications as stipulated in the Disposal Agreement 1

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“Project 2”	a development project to be erected on Property 2 with gross floor area of approximately 31,600 square feet to be erected in accordance with the plans and specifications as stipulated in the Disposal Agreement 2
“Project 3”	a development project to be erected on Property 3 with gross floor area of approximately 41,000 square feet to be erected in accordance with the plans and specifications as stipulated in the Disposal Agreement 3
“Property 1”	all those pieces or parcels of ground respectively registered at the Land Registry as The Remaining Portion of Inland Lot No. 3309 and The Remaining Portion of Inland Lot No. 3310 situate at No. 21 Whitfield Road, Hong Kong
“Property 2”	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)
“Property 3”	(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
“Purchaser 1”	GCPF Cayman Holding 9 Corp., a company incorporated in the Cayman Islands, the purchaser for Disposal 1
“Purchaser 2”	GCPF Cayman Holding 10 Corp., a company incorporated in the Cayman Islands, the purchaser for Disposal 2

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“Purchaser 3”	GCPF Cayman Holding 11 Corp., a company incorporated in the Cayman Islands, the purchaser for Disposal 3
“Purchasers”	Purchaser 1, Purchaser 2 and Purchaser 3
“Seller 1”	Spring Orchard Limited, a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of NPHL
“Seller 2”	Verde Group Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of NPHL
“Seller 3”	Seafield Capital Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of NPHL
“Shareholders”	the shareholders of the Company
“Shareholders’ Agreement 1”	the shareholders’ agreement entered into on the Completion Date 1 between Seller 1, Purchaser 1 and JVCo 1 at completion of Disposal 1
“Shareholders’ Agreement 2”	the shareholders’ agreement entered into on the Completion Date 2 between Seller 2, Purchaser 2 and JVCo 2 at completion of Disposal 2
“Shareholders’ Agreement 3”	the shareholders’ agreement entered into on the Completion Date 3 between Seller 3, Purchaser 3 and JVCo 3 at completion of Disposal 3
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD

NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

Executive Directors:

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

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
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Non-executive Directors:

Ms. Lee Yuen Yu, Dorathy

*Principal place of business in
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Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Independent non-executive Directors:

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

27 June 2011

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

References are made to the announcement of the Company dated 31 March 2011 in relation to Disposal 1, the announcement of the Company dated 21 April 2011 in relation to the proposed disposals by NPHL, a wholly-owned subsidiary of the Company, which entered into a legally binding MOA in relation to Disposal 2 and Disposal 3, and the announcement of the Company dated 3 June 2011 in relation to the Disposals.

On 30 March 2011, Seller 1, a wholly-owned subsidiary of the Company, entered into the Disposal Agreement 1 with Purchaser 1, pursuant to which Seller 1 agreed to sell and Purchaser 1 agreed to purchase the JVCo1 Sale Shares. Completion of the sale and purchase of the JVCo1 Sale Shares took place on 30 March 2011.

On 3 June 2011, Seller 2, a wholly-owned subsidiary of the Company and NPHL, entered into the Disposal Agreement 2 with Purchaser 2, pursuant to which Seller 2 agreed to sell and Purchaser 2 agreed to purchase the JVCo2 Sale Shares. Also, on 3 June 2011, Seller 3, a wholly-owned subsidiary of the Company and NPHL, entered into the Disposal Agreement 3 with Purchaser 3, pursuant to which Seller 3 agreed to sell and Purchaser 3 agreed to purchase the JVCo3 Sale Shares. Completion of the sale and purchase of the JVCo2 Sale Shares and JVCo3 Sale Shares took place on 7 June 2011.

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According to Rule 14.22 of the Listing Rules, the Stock Exchange will aggregate a series of transactions 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, Disposal Agreement 1, Disposal Agreement 2 and Disposal Agreement 3 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 exceeds 25% but less than 100%, the Disposals constitute a major transaction of the Company and are therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapters 14 of the Listing Rules.

The Company has obtained a written approval from Brentford Investments Limited which held 244,602,979 Shares as at the date of the Announcement (representing approximately 25.28% of the issued share capital of the Company), and from Fenmore Investments Limited which held 245,606,873 Shares as at the date of the Announcement (representing approximately 25.39% of the issued share capital of the Company), in lieu of holding a general meeting, for the approval of the Disposal Agreement 1, Disposal Agreement 2 and Disposal Agreement 3 and the transactions thereunder.

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

DISPOSAL AGREEMENT 1

Date 30 March 2011

Parties

Seller 1: Spring Orchard Limited, a wholly-owned subsidiary of the Company

Purchaser 1: 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 Purchaser 2 and Purchaser 3

Guarantor: the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Purchaser 1 and its ultimate beneficial owners are Independent Third Parties.

Assets to be disposed

Pursuant to the Disposal Agreement 1, Seller 1 agreed to sell and Purchaser 1 agreed to purchase the JVCo1 Sale Shares for a total consideration of HK\$72,600,000. The JVCo1 Sale Shares represents 60.5% of the total issued share capital of JVCo 1, and JVCo 1 owns the entire issued share capital of Panteria which in turn owns Property 1.

LETTER FROM THE BOARD

Consideration and Payment Terms

The total consideration for the JVCo1 Sale Shares is HK\$72,600,000 which will be satisfied in the following manner:

- (a) an initial payment of HK\$43,560,000, which represents 60% of Consideration 1, has been paid to Seller 1 by Purchaser 1 on the Completion Date 1;
- (b) a further payment of HK\$7,260,000, which represents 10% of Consideration 1, has been paid to Seller 1 by Purchaser 1 on 27 May 2011 (“**Disposal 1 Second Payment**”);
- (c) a further payment of HK\$12,705,000 which represents 17.5% of Consideration 1, will be paid to Seller 1 by Purchaser 1 on the date falling within seven (7) days after the date of the certificate to be issued by an architect certifying the practical completion of certain Interior Fit-Out 1 works in relation to Project 1 (“**Disposal 1 Third Payment**”); and
- (d) the balance of Consideration 1, being HK\$9,075,000, will be paid to Seller 1 by Purchaser 1 on the date falling within seven (7) days after the Hotel License 1 Issuance Date (“**Disposal 1 Fourth Payment**”).

Consideration 1 has been determined after arm’s length negotiations between the parties with reference to, among other things, the value of Property 1 as ascertained by Purchaser 1. The Directors consider that Consideration 1 is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Completion

Completion of the sale and purchase of JVCo1 Sale Shares took place on the date of the Disposal Agreement 1. JVCo 1 is owned as to 39.5% by Seller 1 and 60.5% by Purchaser 1 and JVCo 1 has ceased to be a subsidiary of Seller 1. The shares of JVCo 1 held by Seller 1 are currently intended to be retained.

Other terms

- (a) Seller 1 shall procure Panteria to complete the Building Construction 1 works and the Interior Fit-Out 1 works in accordance with the specifications provided for under Disposal Agreement 1, such that Project 1 shall be fit for occupation and use as a hotel so as to achieve completion of Project 1 in accordance with the Disposal Agreement 1.
- (b) In the event that the Hotel License 1 Issuance Date is delayed beyond the Hotel License 1 Milestone Date (or such extension as provided under the Disposal Agreement 1), Seller 1 covenants with Purchaser 1 (for and on behalf of itself and as trustee for Panteria) that it will pay to Purchaser 1, by way of liquidated damages, HK\$23,000 per day from but excluding the Hotel License 1 Milestone Date (or such extension as provided under the Disposal Agreement 1), up to and including the Hotel License 1 Issuance Date, any such amount due from Seller 1 to Purchaser 1 shall be against Purchaser 1’s obligation to make the Disposal 1 Fourth Payment.

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- (c) In the event that Hotel License 1 has not been issued by the date which is six (6) months from the Hotel License 1 Milestone Date (or such extension as provided under the Disposal Agreement 1), Purchaser 1 may exercise its rights under the relevant provisions of Disposal Agreement 1 and Shareholders' Agreement 1.

Guarantee

The Company guarantees to Purchaser 1 the performance and payment obligations of Seller 1 under Disposal Agreement 1. The guarantee is a continuing guarantee which will remain in force until all the obligations of Seller 1 under Disposal Agreement 1 have been fulfilled.

DISPOSAL AGREEMENT 2

Date 3 June 2011

Parties

Seller 2: Verde Group Limited, a wholly-owned subsidiary of the Company

Purchaser 2: 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 Purchaser 1 and Purchaser 3

Guarantor: the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Purchaser 2 and their ultimate beneficial owners are Independent Third Parties.

Assets to be disposed

Pursuant to the Disposal Agreement 2, Seller 2 agreed to sell and Purchaser 2 agreed to purchase the JVCo2 Sale Shares for a total consideration of HK\$110,960,000. The JVCo2 Sale Shares represents 73% of the total issued share capital of JVCo 2, and JVCo 2 owns the entire issued share capital of Batilone which in turn owns Property 2.

Consideration and Payment Terms

The total consideration for the JVCo2 Sale Shares is HK\$110,960,000 which will be satisfied in the following manner:

- (a) an initial payment of HK\$11,096,000, which represents 10% of Consideration 2, has been paid to National Electronics (Consolidated) Limited in accordance with Seller 2's direction by Purchaser 2 on 26 April 2011;
- (b) a further payment of HK\$55,480,000, which represents 50% of Consideration 2 has been paid to Seller 2 by Purchaser 2 at Completion 2 on 7 June 2011;

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- (c) a further payment of HK\$11,096,000, which represents 10% of Consideration 2, will be paid to Seller 2 by Purchaser 2 on the first Business Day immediately falling one month after the Completion Date 2 (“**Disposal 2 Third Payment**”);
- (d) a further payment of HK\$19,418,000, which represents 17.5% of Consideration 2, will be paid to Seller 2 by Purchaser 2 on the date falling within seven (7) days after the date of the certificate to be issued by an architect certifying the practical completion of certain Interior Fit-Out 2 works in relation to Project 2 (“**Disposal 2 Fourth Payment**”); and
- (e) the balance of Consideration 2, being HK\$13,870,000, will be paid to Seller 2 by Purchaser 2 on the date falling within seven (7) days after the Hotel License 2 Issuance Date (“**Disposal 2 Fifth Payment**”).

Consideration 2 has been determined after arm’s length negotiations between the parties with reference to, among other things, the value of Property 2 as ascertained by Purchaser 2. The Directors consider that Consideration 2 is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Completion

Completion of the sale and purchase of JVCo2 Sale Shares took place on 7 June 2011. JVCo 2 is currently owned as to 27% by Seller 2 and 73% by Purchaser 2 and JVCo 2 has ceased to be a subsidiary of Seller 2. The shares of JVCo 2 held by Seller 2 are currently intended to be retained.

Other terms

- (a) Seller 2 shall procure Batilone to complete the Building Construction 2 works and the Interior Fit-Out 2 works in accordance with the specifications provided for under Disposal Agreement 2, such that Project 2 shall be fit for occupation and use as a hotel so as to achieve completion of Project 2 in accordance with the Disposal Agreement 2.
- (b) In the event that the Hotel License 2 Issuance Date is delayed beyond the Hotel License 2 Milestone Date (or such extension as provided under the Disposal Agreement 2), Seller 2 covenants with Purchaser 2 (for and on behalf of itself and as trustee for Batilone) that it will pay to Purchaser 2, by way of liquidated damages (subject to set off by way of a deduction from the Disposal 2 Fourth Payment but shall not be construed as an adjustment to Consideration 2), HK\$34,650 per day from but excluding the Hotel License 2 Milestone Date (or such extension as provided under the Disposal Agreement 2), up to and including the Hotel License 2 Issuance Date.
- (c) In the event that Hotel License 2 has not been issued by the date which is six (6) months from the Hotel License 2 Milestone Date (or such extension as provided under the Disposal Agreement 2), Purchaser 2 may exercise its rights under the relevant provisions of Disposal Agreement 2 and Shareholders’ Agreement 2.

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Guarantee

The Company guarantees to Purchaser 2 the performance and payment obligations of Seller 2 under Disposal Agreement 2. The guarantee is a continuing guarantee which will remain in force until all the obligations of Seller 2 under Disposal Agreement 2 have been fulfilled.

DISPOSAL AGREEMENT 3

Date 3 June 2011

Parties

Seller 3: Seafield Capital Limited, a wholly-owned subsidiary of the Company

Purchaser 3: 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 Purchaser 1 and Purchaser 2

Guarantor: the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Purchaser 3 and their ultimate beneficial owners are Independent Third Parties.

Assets to be disposed

Pursuant to the Disposal Agreement 3, Seller 3 agreed to sell and Purchaser 3 agreed to purchase the JVCo3 Sale Shares for a total consideration of HK\$140,160,000. The JVCo3 Sale Shares represents 73% of the total issued share capital of JVCo 3, and JVCo 3 owns the entire issued share capital of Asiatic and Lens which in turn owns Property 3.

Consideration and Payment Terms

The total consideration for the JVCo3 Sale Shares is HK\$140,160,000 which will be satisfied in the following manner:

- (a) an initial payment of HK\$14,016,000, which represents 10% of Consideration 3, has been paid to National Electronics (Consolidated) Limited in accordance with Seller 3's direction by Purchaser 3 on 26 April 2011;
- (b) a further payment of HK\$70,080,000, which represents 50% of Consideration 3 has been paid to Seller 3 by Purchaser 3 at Completion 3 on 7 June 2011;
- (c) a further payment of HK\$14,016,000, which represents 10% of Consideration 3, will be paid to Seller 3 by Purchaser 3 on the first Business Day immediately falling one month after the Completion Date 3 ("**Disposal 3 Third Payment**");

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- (d) a further payment of HK\$24,528,000, which represents 17.5% of Consideration 3, will be paid to Seller 3 by Purchaser 3 on the date falling within seven (7) days after the date of the certificate to be issued by an architect certifying the practical completion of certain Interior Fit-Out 3 works in relation to Project 3 (“**Disposal 3 Fourth Payment**”); and
- (e) the balance of Consideration 3, being HK\$17,520,000, will be paid to Seller 3 by Purchaser 3 on the date falling within seven (7) days after the Hotel License 3 Issuance Date (“**Disposal 3 Fifth Payment**”).

Consideration 3 has been determined after arm’s length negotiations between the parties with reference to, among other things, the value of Property 3 as ascertained by Purchaser 3. The Directors consider that Consideration 3 is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Completion

Completion of the sale and purchase of JVCo3 Sale Shares took place on 7 June 2011. JVCo 3 is currently owned as to 27% by Seller 3 and 73% by Purchaser 3 and JVCo 3 has ceased to be a subsidiary of Seller 3. The shares of JVCo 3 held by Seller 3 are currently intended to be retained.

Other terms

- (a) Seller 3 shall procure Asiatic and Lens to complete the Building Construction 3 works and the Interior Fit-Out 3 works in accordance with the specifications provided for under Disposal Agreement 3, such that Project 3 shall be fit for occupation and use as a hotel so as to achieve completion of Project 3 in accordance with the Disposal Agreement 3.
- (b) In the event that the Hotel License 3 Issuance Date is delayed beyond the Hotel License 3 Milestone Date (or such extension as provided under the Disposal Agreement 3), Seller 3 covenants with Purchaser 3 (for and on behalf of itself and as trustee for Asiatic and Lens) that it will pay to Purchaser 3, by way of liquidated damages (subject to set off by way of a deduction from the Disposal 3 Fourth Payment but shall not be construed as an adjustment to Consideration 3), HK\$43,300 per day from but excluding the Hotel License 3 Milestone Date (or such extension as provided under the Disposal Agreement 3), up to and including the Hotel License 3 Issuance Date.
- (c) In the event that Hotel License 3 has not been issued by the date which is six (6) months from the Hotel License 3 Milestone Date (or such extension as provided under the Disposal Agreement 3), Purchaser 3 may exercise its rights under the relevant provisions of Disposal Agreement 3 and Shareholders’ Agreement 3.

Guarantee

The Company guarantees to Purchaser 3 the performance and payment obligations of Seller 3 under Disposal Agreement 3. The guarantee is a continuing guarantee which will remain in force until all the obligations of Seller 3 under Disposal Agreement 3 have been fulfilled.

LETTER FROM THE BOARD

DOCUMENTS ENTERED INTO PURSUANT TO THE DISPOSALS

Pursuant to the Disposals, certain documents have been entered into by the respective parties and this include the following:

- **SHARE MORTGAGES**

In consideration of Seller 1 agreeing to transfer JVCo1 Sale Shares to Purchaser 1, three share mortgages in respect of 61 JVCo1 Shares, 106 JVCo1 Shares and 76 JVCo1 Shares out of all the JVCo1 Sale Shares have been executed by Purchaser 1 (as mortgagor) in favour of Seller 1 (as mortgagee) on the Completion Date 1 as a continuing security to secure Purchaser 1's payment obligations in respect of Disposal 1 Second Payment, Disposal 1 Third Payment and Disposal 1 Fourth Payment respectively. On 30 May 2011, Disposal 1 Second Payment has been paid to Seller 1 by Purchaser 1 and the mortgage in respect of 61 JVCo1 shares was released.

In consideration of Seller 2 agreeing to transfer JVCo2 Sale Shares to Purchaser 2, three share mortgages in respect of 73 JVCo2 Shares, 128 JVCo2 Shares and 91 JVCo2 Shares out of all the JVCo2 Sale Shares have been executed by Purchaser 2 (as mortgagor) in favour of Seller 2 (as mortgagee) on the Completion Date 2 as a continuing security to secure Purchaser 2's payment obligations in respect of Disposal 2 Third Payment, Disposal 2 Fourth Payment and Disposal 2 Fifth Payment respectively.

Also, in consideration of Seller 3 agreeing to transfer JVCo3 Sale Shares to Purchaser 3, three share mortgages in respect of 73 JVCo3 Shares, 128 JVCo3 Shares and 91 JVCo3 Shares out of all the JVCo3 Sale Shares have been executed by Purchaser 3 (as mortgagor) in favour of Seller 3 (as mortgagee) on the Completion Date 3 as a continuing security to secure Purchaser 3's payment obligations in respect of Disposal 3 Third Payment, Disposal 3 Fourth Payment and Disposal 3 Fifth Payment respectively.

- **DEED OF INDEMNITY**

The Company and Seller 1 (as the covenantors), Purchaser 1, JVCo 1 and Panteria, have entered into a deed of tax indemnity on the Completion Date 1, pursuant to which the Company and Seller 1 will jointly and severally covenant and agree with Purchaser 1, JVCo 1 and Panteria, that they will fully and effectually indemnify Purchaser 1, JVCo 1 and Panteria from and against all taxation falling on JVCo 1 or Panteria resulting from, amongst others, any income, profits, gains or things earned or accrued or occurring up to the Completion Date 1.

The Company and Seller 2 (as the covenantors), Purchaser 2, JVCo 2 and Batilone, have entered into a deed of tax indemnity on the Completion Date 2, pursuant to which the Company and Seller 2 will jointly and severally covenant and agree with Purchaser 2, JVCo 2 and Batilone, that they will fully and effectually indemnify Purchaser 2, JVCo 2 and Batilone from and against all taxation falling on JVCo 2 or Batilone resulting from, amongst others, any income, profits, gains or things earned or accrued or occurring up to the Completion Date 2.

LETTER FROM THE BOARD

Also, the Company and Seller 3 (as the covenantors), Purchaser 3, JVCo 3, Asiatic and Lens, have entered into a deed of tax indemnity on the Completion Date 3, pursuant to which the Company and Seller 3 will jointly and severally covenant and agree with Purchaser 3, JVCo 3 and Asiatic and Lens, that they will fully and effectually indemnify Purchaser 3, JVCo 3, Asiatic and Lens from and against all taxation falling on JVCo 3, Asiatic or Lens resulting from, amongst others, any income, profits or gains or things earned or accrued or occurring up to the Completion Date 3.

- **SHAREHOLDERS' AGREEMENT 1, SHAREHOLDERS' AGREEMENT 2 AND SHAREHOLDERS' AGREEMENT 3**

On the Completion Date 1, Seller 1, Purchaser 1 and JVCo 1 entered into Shareholders' Agreement 1, and on the Completion Date 2, Seller 2, Purchaser 2 and JVCo 2 entered into the Shareholders' Agreement 2, and on the Completion Date 3, Seller 3, Purchaser 3 and JVCo 3 entered into the Shareholders' Agreement 3, each to regulate the relationships between the parties and provide for the management and the conduct of the business of JVCo 1, JVCo 2 and JVCo 3, respectively. The terms of the shareholders' agreements for each of JVCo 1, JVCo 2 and JVCo 3 are very similar. The major terms of Shareholders' Agreement 1, Shareholders' Agreement 2 and Shareholders' Agreement 3 are as follows:

Business scope of JVCo 1, JVCo 2 and JVCo 3

Unless otherwise unanimously agreed between the parties to the respective Shareholders' Agreement 1, Shareholders' Agreement 2 and Shareholders' Agreement 3, the sole business of each of JVCo 1, JVCo 2 and JVCo 3 is to continue to indirectly hold, by way of long term investment, Property 1 (in the case of JVCo 1), Property 2 (in the case of JVCo 2) and Property 3 (in the case of JVCo 3) which shall be developed into a hotel (with hotel apartment services) and thereafter, to manage such hotel.

Constitution of the board of directors of JVCo 1, JVCo 2 and JVCo 3

The board of directors of each of JVCo 1, JVCo 2 and JVCo 3 will comprise five (5) directors, including two (2) directors to be nominated by the respective seller and three (3) directors to be nominated by the respective purchaser of JVCo 1, JVCo 2 and JVCo 3, respectively. The directors of each of JVCo 1, JVCo 2 and JVCo 3 shall elect one of their number to be chairman of its board. In the case of an equality of votes at any meeting of the board of directors of each of JVCo 1, JVCo 2 and JVCo 3, the chairman shall not be entitled to a second or casting vote.

LETTER FROM THE BOARD

Restrictions on the transfer of shares in JVCo 1, JVCo 2 and JVCo 3

Neither the respective seller of JVCo 1, JVCo 2 or JVCo 3 (as the case may be) nor the respective purchaser of JVCo 1, JVCo 2 or JVCo 3 (as the case may be) may transfer its shares in JVCo 1, JVCo 2 or JVCo 3, respectively, except as otherwise provided and subject to the provisions as stipulated under Shareholders' Agreement 1 or Shareholders' Agreement 2 or Shareholders' Agreement 3 (as the case may be). Such restrictions include, among others, the following:

- (a) When either shareholder ("**Selling Shareholder**") wishes to sell all (but not some only) of its shares in JVCo 1 or JVCo 2 or JVCo 3 (as the case may be) ("**Proposed Sale Shares**"), the Selling Shareholder shall first offer the Proposed Sale Shares to the other shareholder ("**Other Shareholder**") in accordance with the provisions of its shareholders' agreement, such as to deliver a transfer notice from the Selling Shareholder to the Other Shareholder stating the major terms of the proposed sale. Also, as agreed between the parties and in accordance to the provisions of the respective shareholders' agreement in relation to JVCo 1 or JVCo 2 or JVCo 3 (as the case may be), the Selling Shareholder shall have the right to require the Other Shareholder to sell all (but not some only) of the Other Shareholder's shares in JVCo 1 or JVCo 2 or JVCo 3 (as the case may be) to the intended third party buyer of the Proposed Sale Shares ("**Buyer**") at the same price and terms as that of the sale of the Proposed Sale Shares set out in the transfer notice (the "**Drag-Along Right**").
- (b) Subject to the procedural requirements under Shareholders' Agreement 1 or Shareholders' Agreement 2 or Shareholders' Agreement 3 (as the case may be), in lieu of electing to purchase the Proposed Sale Shares of the Selling Shareholder as mentioned in (a) above and if the Selling Shareholder has not exercised the Drag-Along Right, the Other Shareholder shall have the right to elect, instead, to participate in the sale to the Buyer at the same price and terms as that of the sale of the Proposed Sale Shares which shall, in any event, be substantially as set out in such transfer notice (the "**Tag-Along Right**").

Term

Unless terminated earlier in accordance with the provisions of Shareholders' Agreement 1 or Shareholders' Agreement 2 or Shareholders' Agreement 3 (as the case may be), or otherwise agreed between Seller 1 and Purchaser 1 (in the case of JVCo 1), Seller 2 and Purchaser 2 (in the case of JVCo 2) or Seller 3 and Purchaser 3 (in the case of JVCo 3), or unless one of the shareholder ceases to hold any interest in JVCo 1, JVCo 2 or JVCo 3 (as the case may be), Seller 1 and Purchaser 1 (in the case of JVCo 1), or Seller 2 and Purchaser 2 (in the case of JVCo 2), or Seller 3 and Purchaser 3 (in the case of JVCo 3) agreed to exercise all rights and powers available to it to ensure that JVCo 1, JVCo 2 or JVCo 3 (as the case may be) has sold of its assets and that all net proceeds from such sale have been distributed to Seller 1 and Purchaser 1 (in the case of JVCo 1), Seller 2 and Purchaser 2 (in the case of JVCo 2) or Seller 3 and Purchaser 3 (in the case of JVCo 3) on a date as agreed by the respective parties.

LETTER FROM THE BOARD

Options

In addition to any other rights the Non-Defaulting Shareholder (as defined below) has under Shareholders' Agreement 1 or Shareholders' Agreement 2 or Shareholders' Agreement 3 (as the case may be), if an Event of Default (as defined below) has occurred with respect to the Shareholder in Breach (as defined below), the Shareholder in Breach shall be deemed to have made an irrevocable offer to the Non-defaulting Shareholder as follows:

- (a) to sell all of its JVCo1 Shares (in the case of JVCo 1) or JVCo2 Shares (in the case of JVCo 2) or JVCo3 Shares (in the case of JVCo 3) to the Non-defaulting Shareholder or its designee at an agreed discount to the fair market value (as defined in Shareholders' Agreement 1 or Shareholders' Agreement 2 or Shareholders' Agreement 3 (as the case may be) of such shares in JVCo 1 or JVCo 2 or JVCo 3 (as the case may be); or
- (b) to buy all of the JVCo1 Shares (in the case of JVCo 1) or JVCo2 Shares (in the case of JVCo 2) or JVCo3 Shares (in the case of JVCo 3) of the Non-defaulting Shareholder at an agreed premium to the fair market value (as defined in Shareholders' Agreement 1 or Shareholders' Agreement 2 or Shareholders' Agreement 3 (as the case may be) of such shares in JVCo 1 or JVCo 2 or JVCo 3 (as the case may be) (save that this option shall not be available to Purchaser 1 (in the case of JVCo 1) or Purchaser 2 (in the case of JVCo 2) or Purchaser 3 (in the case of JVCo 3) in circumstances where there is an Event of Default pursuant to paragraph (f) under the definition of Event of Default below).

Such an offer is crystallized by the Non-defaulting Shareholder serving a notice to the Shareholder in Breach stating that there has been an Event of Default ("**Default Transfer Notice**"). The Non-defaulting Shareholder shall have the right to decide if it wishes to exercise any of the options set out in the Default Transfer Notice by giving notice in writing to the Shareholder in Breach within thirty (30) days following service of the Default Transfer Notice.

Amongst other things, the following are events of default ("**Event of Default**") provided under the Shareholders' Agreement 1 or Shareholders' Agreement 2 or Shareholders' Agreement 3 (as the case may be):

- (a) if any of the shareholder of JVCo 1 or JVCo 2 or JVCo 3 (as the case may be) is in material breach of the terms of Shareholders' Agreement 1 or Shareholders' Agreement 2 or Shareholders' Agreement 3 (as the case may be);
- (b) if any of the shareholder of JVCo 1 or JVCo 2 or JVCo 3 (as the case may be), or any part of its assets or undertaking, is involved in or subject to any insolvency proceedings, has stopped or suspended payment of its debts, become unable to pay its debts or otherwise become insolvent;
- (c) if there is a change in control of any shareholder of JVCo 1 or JVCo 2 or JVCo 3 (as the case may be) which change has not been otherwise approved in writing by the other shareholder of JVCo 1 or JVCo 2 or JVCo 3 (as the case may be);

LETTER FROM THE BOARD

- (d) if any of the shareholder of JVCo 1 or JVCo 2 or JVCo 3 (as the case may be) is in breach of its warranty or undertaking pursuant to Shareholders' Agreement 1 or Shareholders' Agreement 2 or Shareholders' Agreement 3 (as the case may be);
- (e) if Purchaser 1 (in the case of JVCo 1) or Purchaser 2 (in the case of JVCo 2) or Purchaser 3 (in the case of JVCo 3) is in breach of its obligations to make payments due under Disposal Agreement 1 or Disposal Agreement 2 or Disposal Agreement 2 (as the case may be); or
- (f) if the Hotel License 1 (in the case of JVCo 1) or Hotel License 2 in the case of JVCo 2) or Hotel License 3 (in the case of JVCo 3) has not been issued within six (6) months from Hotel License 1 Milestone Date (in the case of JVCo 1) or Hotel License 2 Milestone Date (in the case of JVCo 2) or Hotel License 3 Milestone Date (in the case of JVCo 3) (or such extension as provided under Disposal Agreement 1 or Disposal Agreement 2 or Disposal Agreement 3 (as the case may be)), and in such circumstances, Seller 1 (in the case of JVCo 1) or Seller 2 (in the case of JVCo 2) or Seller 3 (in the case of JVCo 3) shall be deemed to have committed an Event of Default under Shareholders' Agreement 1 (in the case of JVCo 1) or Shareholders' Agreement 2 (in the case of JVCo 2) or Shareholders' Agreement 3 (in the case of JVCo 3).

A “**material breach**” means a breach that, if such breach is capable of remedy, has not been remedied within thirty (30) calendar days of service of a written notice from the shareholder of JVCo 1 or JVCo 2 or JVCo 3 (as the case may be) who is not in breach requiring that such breach be remedied. For the purpose of this section on options, the shareholder of JVCo 1 or JVCo 2 or JVCo 3 (as the case may be) who is in breach being the “**Shareholder in Breach**” and the other shareholder of JVCo 1 or JVCo 2 or JVCo 3 (as the case may be) being the “**Non-defaulting Shareholder**”.

INFORMATION OF JVCO 1, JVCO 2 AND JVCO 3

JVCo 1 is an investment holding vehicle incorporated on 31 January 2011 and wholly-owned Property 1 through Panteria prior to Completion 1. Property 1 has a total gross floor area of approximately 29,760 square feet located at No. 21 Whitfield Road, Hong Kong. Property 1 is under development into a hotel.

JVCo 2 is an investment holding vehicle incorporated on 21 January 2011 and wholly-owned Property 2 through Batilone prior to Completion 2. Property 2 has a total gross floor area of approximately 31,600 square feet located at No. 89 Jervois Street, Hong Kong. Property 2 is under development into a hotel.

JVCo 3 is an investment holding vehicle incorporated on 25 January 2011 and wholly-owned Property 3 through Asiatic and Lens prior to Completion 3. Property 3 has a total gross floor area of approximately 41,000 square feet located at No. 101 Bonham Strand, No. 103 Bonham Strand, No. 127 Wing Lok Street and No. 99 Bonham Strand, Hong Kong. Property 3 is under development into a hotel.

LETTER FROM THE BOARD

After completion of the Disposals, JVCo 1 is owned as to 39.5% by Seller 1 and 60.5% by Purchaser 1, JVCo 2 is owned as to 27% by Seller 2 and 73% by Purchaser 2, and JVCo 3 is owned as to 27% by Seller 3 and 73% by Purchaser 3. JVCo 1 ceased to be a subsidiary of Seller 1 after Completion 1, JVCo 2 ceased to be a subsidiary of Seller 2 after Completion 2 and JVCo 3 ceased to be a subsidiary of Seller 3 after Completion 3.

The audited net profit before and after taxation and extraordinary items attributable to Panteria was approximately HK\$11,000,000 and HK\$9,200,000 respectively for the year ended 31 March 2010, and was approximately HK\$4,800,000 and HK\$4,700,000 respectively for the year ended 31 March 2009.

The audited net profit before and after taxation and extraordinary items attributable to Batilone was approximately HK\$9,000,000 and HK\$7,000,000 respectively for the year ended 31 March 2010, and was approximately HK\$25,800,000 and HK\$20,300,000 respectively for the year ended 31 March 2009.

The audited net profit before and after taxation and extraordinary items attributable to Asiatic was approximately HK\$1,650,000 and HK\$1,380,000 respectively for the year ended 31 March 2010, and was approximately HK\$750,000 and HK\$260,000 respectively for the year ended 31 March 2009.

The audited net profit before and after taxation and extraordinary items attributable to Lens was approximately HK\$5,170,000 and HK\$4,320,000 respectively for the year ended 31 March 2010, and was approximately HK\$3,950,000 and HK\$3,340,000 respectively for the year ended 31 March 2009.

As at 31 December 2010, the unaudited net asset value of Panteria, Batilone, Asiatic and Lens was approximately HK\$31,254,000, HK\$67,113,000, HK\$43,191,000 and HK\$25,418,000, respectively. Based on such net asset value, a gain of approximately HK\$20,700,000 is expected to accrue to the Group upon Completion 1, after taking into account of the related expenses paid or payable by the Group of approximately HK\$33,000,000 in relation to the Disposal 1. Also, based on such net asset value, a gain of approximately HK\$82,000,000 is expected to accrue to the Group upon Completion 2 and Completion 3, after taking into account of the related expenses paid or payable by the Group of approximately HK\$70,000,000 in relation to Disposal 2 and Disposal 3.

- **THE UMBRELLA AGREEMENT**

On 7 June 2011, the date of completion of Disposal 2 and Disposal 3, the parties to the Shareholders' Agreement 1, Shareholders' Agreement 2 and Shareholders' Agreement 3 entered into an umbrella agreement to supplement the agreements. Under this umbrella agreement, the parties have agreed that the incentive distributions payable to Seller 1, Seller 2 and Seller 3 under the Shareholders' Agreement 1, Shareholders' Agreement 2 and Shareholders' Agreement 3, respectively, are to be calculated on a consolidated portfolio basis as opposed to individual portfolio basis.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSALS AND THE SHAREHOLDER'S AGREEMENTS

Property 1 was acquired by the Group in April 2006 and had been held by the Group for investment purpose by way of rental income. Property 2 and Property 3 were both acquired by the Group in 2007 and had been held by the Group for investment purposes.

The Directors consider that the Disposals provide a good opportunity for the Group to realize Property 1, Property 2 and Property 3 and enhance the liquidity of the Group. The joint ventures with the Purchasers also provide the Group with a valuable opportunity to co-invest with a prestigious investment partner and there may be further opportunities to work with this investment partner in the future. The Directors consider that the Disposals and the joint venture arrangements with the Purchasers are on normal commercial terms and that such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Group currently intends to use the net proceeds from the Disposals for general working capital purpose.

FINANCIAL EFFECT OF THE DISPOSALS

The net assets of the Group will be increased following the Disposals. The total assets of the Group will be decreased which is a result of the decrease in the share of net book values of Property 1, Property 2 and Property 3 after the Disposals. Such decrease in total assets will be offset by a decrease in bank loan following the Disposals. No rental income is derived from Property 1, Property 2 and Property 3 at this stage. It is expected that the Disposals will bring a positive contribution to the results of the Group since financial expenses relating to Property 1, Property 2 and Property 3 will be decreased.

INFORMATION OF THE COMPANY, SELLER 1, SELLER 2, SELLER 3, PURCHASER 1, PURCHASER 2, PURCHASER 3 AND THE PURCHASERS

Information of the Company

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

Information of Seller 1, Seller 2 and Seller 3

Each of Seller 1, Seller 2 and Seller 3 is an investment holding company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

Information of Purchaser 1, Purchaser 2 and Purchaser 3

Each of Purchaser 1, Purchaser 2 and Purchaser 3 is an investment holding company incorporated in the Cayman Islands and is a wholly-owned subsidiary of a real estate fund which is the same fund that owns Purchaser 1, Purchaser 2 and Purchaser 3.

LISTING RULES IMPLICATIONS

According to Rule 14.22 of the Listing Rules, the Stock Exchange will aggregate a series of transactions 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, Disposal Agreement 1, Disposal Agreement 2 and Disposal Agreement 3 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 exceeds 25% but less than 100%, the Disposals constitute a major transaction of the Company and are therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapters 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, the Disposals is conditional upon, among other things, a written shareholder's approval of Disposal Agreement 1, Disposal Agreement 2 and Disposal Agreement 3 and the transactions thereunder having been obtained from Shareholders who holds more than 50% in nominal value of the Shares giving the right to attend and vote at that general meeting to approve the transactions. The Company has a closely allied group of Shareholders which together hold approximately 50.67% of the total issued share capital of the Company as at the date of the Announcement. The Company has obtained a written approval from Brentford Investments Limited which held 244,602,979 Shares as at the date of the Announcement (representing approximately 25.28% of the issued share capital of the Company), and from Fenmore Investments Limited which held 245,606,873 Shares as at the date of the Announcement (representing approximately 25.39% of the issued share capital of the Company), in lieu of holding a general meeting, for the approval of the Disposal Agreement 1, Disposal Agreement 2 and Disposal Agreement 3 and the transactions thereunder.

Accordingly, no general meeting for the Shareholders' approval of the Disposals will be held. 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 Disposal Agreement 1, Disposal Agreement 2 and Disposal Agreement 3 and the transactions thereunder, the Directors would have recommended that the Shareholders vote in favour of such approval.

To the best of Directors' knowledge, information and belief, none of the Shareholders (including Brentford Investments Limited and Fenmore Investments Limited) has a material interest in the Disposals and as such, none of them is required to abstain from voting if the Company were to convene a general meeting to approve the Disposal Agreement 1, Disposal Agreement 2 and Disposal Agreement 3 and the transactions thereunder.

LETTER FROM THE BOARD

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. INDEBTEDNESS

As at 31 May 2011, 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\$1,095 million (of which HK\$731 million was secured by fixed charges on certain of the Group's assets with net book value of approximately HK\$1,534 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\$5 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 31 May 2011 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources and banking facilities available to the Group including the proceeds from the Disposals and its internally generated funds and assuming that the existing banking facilities of the Group will not be withdrawn, the Group will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As stated in the Company's interim report for the six months ended 30 September 2010, the Group's turnover for the six months ended 30 September 2010 was HK\$639,756,000 which was increased by about 20.85% over the same period of last year while the Group's net profit for the six months ended 30 September 2010 was HK\$68,371,000 which was increased by about 8.96% over the same period last year.

As Project 1, Project 2 and Project 3 are still at the development stage, no rental income is generated by them at this stage. Subsequent to the operation of Project 1, Project 2 and Project 3 in a near future, the Group will share its attributable proportion of the net profits generated from Project 1, Project 2 and Project 3.

Besides, there is a decrease in bank loan of the Group following the Disposals and the sales proceeds of Disposal 1, Disposal 2 and Disposal 3 have provided additional liquid fund. The Directors believe that this will improve the level of liquidity and gearing of the Group in coming years.

The following is the text of the letter and valuation certificate in relation to Property 1, Property 2 and Property 3 received from DTZ, an independent property valuer, prepared for the purpose for incorporation in this circular.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

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

23 June, 2011

Dear Sirs,

RE: NO. 21 WHITFIELD ROAD, NORTH POINT, 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 Panteria International 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 30th April, 2011 (the “date of valuation”).

Basis of Valuation

Our valuation of the property represents its market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein 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 with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market with due allowance for the outstanding development costs and other relevant expenses.

In valuing the property, we have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) issued by The Hong Kong Institute of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as 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

We have inspected the exterior of the property. 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
Registered Professional Surveyor
M.H.K.I.S., M.R.I.C.S.
Senior Director

Note: Mr. Ho Siu Wa is a Registered Professional Surveyor who has over 27 years' experience in the valuation of properties in Hong Kong.

VALUATION CERTIFICATE

Property held by the Company in Hong Kong for investment

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th April, 2011
No. 21 Whitfield Road, North Point, Hong Kong.	The property comprises a hotel which is being developed upon a site with a registered site area of approximately 1,984 sq.ft. (184.32 sq.m.).	Construction works were in progress.	HK\$241,000,000
The Remaining Portions of Inland Lot Nos. 3309 and 3310.	The property will provide 54 guest rooms and is scheduled to come into operation in February, 2012. The total gross floor area of the proposed hotel is approximately 29,760 sq.ft. (2,764.77 sq.m.). The property is held from the Government under Government Leases for terms of 75 years from 19th December, 1904 renewed for further terms of 75 years. The current aggregate Government Rent payable for the lots is HK\$34,562 per annum.		

Notes:

- (1) The registered owner of the property is Panteria International Limited.
- (2) The property is subject to a Debenture and Legal Charge in favour of Industrial and Commercial Bank of China (Asia) Limited for all moneys vide Memorial No. 06080301210111 dated 18th July, 2006.
- (3) The property is subject to an Assignment of Rental and Sale Proceeds in favour of Industrial and Commercial Bank of China (Asia) Limited for all moneys vide Memorial No. 06080301210122 dated 18th July, 2006.
- (4) The property is subject to a Supplemental Deed to Assignment of Rental and Sale Proceeds in favour of Industrial and Commercial Bank of China (Asia) Limited vide Memorial No. 11061302460045 dated 1st June, 2011 (Re: Pending Registration).
- (5) According to the information provided by the Company, the total estimated construction cost as at 30th April, 2011 was about HK\$110,000,000 and the cost expended up to 30th April, 2011 was about HK\$64,115,887. We have taken into account such amounts in our valuation.
- (6) The capital value of the property assumed to be completed in good standard as at 30th April, 2011 was HK\$300,000,000.
- (7) The property is zoned for "Residential (Group A)" uses under North Point Outline Zoning Plan No. S/H8/24 dated 30th November, 2010.



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

23 June, 2011

Dear Sirs,

RE: NO. 89 JERVOIS STREET, SHEUNG WAN, HONG KONG (FORMERLY KNOWN AS NOS. 87-89 JERVOIS STREET, 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 30th April, 2011 (the “date of valuation”).

Basis of Valuation

Our valuation of the property represents its market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein 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 with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market with due allowance for the outstanding development costs and other relevant expenses.

In valuing the property, we have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) issued by The Hong Kong Institute of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as 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

We have inspected the exterior of the property. 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
Registered Professional Surveyor
M.H.K.I.S., M.R.I.C.S.
Senior Director

Note: Mr. Ho Siu Wa is a Registered Professional Surveyor who has over 27 years' experience in the valuation of properties in Hong Kong.

VALUATION CERTIFICATE

Property held by the Company in Hong Kong for investment

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th April, 2011
No. 89 Jervois Street, Sheung Wan, Hong Kong (formerly known as Nos. 87-89 Jervois Street, Hong Kong).	The property comprises a hotel which is being developed upon a site with a registered site area of approximately 2,105 sq.ft. (195.56 sq.m.).	Construction works were completed	HK\$343,000,000
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 will provide 49 guest rooms and is scheduled to come into operation in October, 2011. The total gross floor area of the proposed hotel is approximately 31,567 sq.ft. (2,932.65 sq.m.). 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.	and internal fitting-out works were in progress.	

Notes:

- (1) The registered owner of the property is Batilone Limited.
- (2) The property is subject to a Legal Charge and Debenture in favour of DBS Bank (Hong Kong) Limited for all moneys vide Memorial No. 07060500960021 dated 15th May, 2007.
- (3) According to the information provided by the Company, the total estimated construction cost as at 30th April, 2011 was about HK\$111,250,000 and the cost expended up to 30th April, 2011 was about HK\$94,172,658. We have taken into account such amounts in our valuation.
- (4) The capital value of the property assumed to be completed in good standard as at 30th April, 2011 was HK\$380,000,000.
- (7) The property is zoned for "Commercial" uses under Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/25 dated 12th April, 2011.



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

23 June, 2011

Dear Sirs,

RE: NOS. 101-103 BONHAM STRAND AND NO. 127 WING LOK 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 Asiatic 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 30th April, 2011 (the “date of valuation”).

Basis of Valuation

Our valuation of the property represents its market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein 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 with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market with due allowance for the outstanding development costs and other relevant expenses.

In valuing the property, we have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) issued by The Hong Kong Institute of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as 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

We have inspected the exterior of the property. 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
Registered Professional Surveyor
M.H.K.I.S., M.R.I.C.S.
Senior Director

Note: Mr. Ho Siu Wa is a Registered Professional Surveyor who has over 27 years' experience in the valuation of properties in Hong Kong.

VALUATION CERTIFICATE

Property held by the Company in Hong Kong for investment

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th April, 2011
Nos. 101-103 Bonham Strand and No. 127 Wing Lok Street, Sheung Wan, Hong Kong.	The property comprises a building site with a registered site area of approximately 2,059 sq.ft. (191.29 sq.m.).	Construction works were in progress.	HK\$256,000,000
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.	<p>According to the development scheme provided by the Company, the subject site together with the adjoining lot (No. 99 Bonham Strand with a site area of approximately 684 sq.ft. (63.55 sq.m.)) will be developed into a hotel providing 83 guest rooms. The proposed hotel is scheduled to come into operation in May, 2012.</p> <p>The total gross floor area of the proposed hotel on the combined enlarged site is approximately 41,138 sq.ft. (3,821.81 sq.m.).</p> <p>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.</p>		

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. 07080301710444 dated 10th July, 2007.
- (3) The property is subject to a Supplement to Security Documents in favour of Hang Seng Bank Limited vide Memorial No. 08011003000145 dated 12th December, 2007.
- (4) The property is subject to a Second Supplemental to Security Documents in favour of Hang Seng Bank Limited vide Memorial No. 09072203010377 dated 24th June, 2009.
- (5) We would stress that the subject site (with an area of approximately 2,059 sq.ft.) together with the adjoining lot (No. 99 Bonham Strand with an area of approximately 684 sq.ft.) will be developed into an integrated hotel development. In the course of our valuation, we have firstly assessed the market value of the combined enlarged site taking into account the above-mentioned development scheme with a total gross floor area of approximately 41,138 sq.ft. (3,821.81 sq.m.). On such basis, our opinion of market value of the combined site as at 30th April, 2011 was HK\$341,000,000. As the government lease restrictions and zoning controls are virtually the same in respect of the subject and the adjoining site, we have apportioned HK\$341,000,000 in accordance with the ratio of respective site areas of the two sites.

- (6) According to the information provided by the Company, the total estimated construction cost of the proposed hotel on the combined enlarged site as at 30th April, 2011 was about HK\$156,680,000 and the cost expended up to 30th April, 2011 was about HK\$51,929,673. We have taken into account such amounts in our valuation.

- (7) The capital value of the proposed hotel on the combined enlarged site assumed to be completed in good standard as at 30th April, 2011 was HK\$480,000,000.

- (8) The property is zoned for “Commercial” uses under Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/25 dated 12th April, 2011.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

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

23 June, 2011

Dear Sirs,

RE: NO. 99 BONHAM STRAND, 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 Lens 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 30th April, 2011 (the “date of valuation”).

Basis of Valuation

Our valuation of the property represents its market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein 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 with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market with due allowance for the outstanding development costs and other relevant expenses.

In valuing the property, we have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) issued by The Hong Kong Institute of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as 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

We have inspected the exterior of the property. 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
Registered Professional Surveyor
M.H.K.I.S., M.R.I.C.S.
Senior Director

Note: Mr. Ho Siu Wa is a Registered Professional Surveyor who has over 27 years' experience in the valuation of properties in Hong Kong.

VALUATION CERTIFICATE

Property held by the Company in Hong Kong for investment

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th April, 2011
No. 99 Bonham Strand, Sheung Wan, Hong Kong.	The property comprises a building site with a registered site area of approximately 684 sq.ft. (63.55 sq.m.).	Construction works were in progress.	HK\$85,000,000
The Remaining Portion of Marine Lot No. 151.	<p>According to the development scheme provided by the Company, the subject site together with the adjoining lots (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.) will be developed into a hotel providing 83 guest rooms. The proposed hotel is scheduled to come into operation in May, 2012.</p> <p>The total gross floor area of the proposed hotel on the combined enlarged site is approximately 41,138 sq.ft. (3,821.81 sq.m.).</p> <p>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.</p>		

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. 08011003000131 dated 12th December, 2007.
- (3) The property is subject to a Supplemental to Security Documents in favour of Hang Seng Bank Limited vide Memorial No. 09072203010388 dated 24th June, 2009.
- (4) We would stress that the subject site (with an area of approximately 684 sq.ft.) together with the adjoining lots (Nos. 101-103 Bonham Strand and No. 127 Wing Lok Street with an area of approximately 2,059 sq.ft.) will be developed into an integrated hotel development. In the course of our valuation, we have firstly assessed the market value of the combined enlarged site taking into account the above-mentioned development scheme with a total gross floor area of approximately 41,138 sq.ft. (3,821.81 sq.m.). On such basis, our opinion of market value of the combined site as at 30th April, 2011 was HK\$341,000,000. As the government lease restrictions and zoning controls are virtually the same in respect of the subject and the adjoining site, we have apportioned HK\$341,000,000 in accordance with the ratio of respective site areas of the two sites.
- (5) According to the information provided by the Company, the total estimated construction cost of the proposed hotel on the combined enlarged site as at 30th April, 2011 was about HK\$156,680,000 and the cost expended up to 30th April, 2011 was about HK\$51,929,673. We have taken into account such amounts in our valuation.

- (6) The capital value of the proposed hotel on the combined enlarged site assumed to be completed in good standard as at 30th April, 2011 was HK\$480,000,000.

- (7) The property is zoned for “Commercial” uses under Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/25 dated 12th April, 2011.

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	—	—	245,606,873 <i>(note a)</i>	245,606,873	25.388%
Mr. Loewe Lee Bon Chi	Managing Director	15,000,000	—	245,606,873 <i>(note a)</i>	260,606,873	26.938%
Mr. James Lee Yuen Kui	Managing Director	5,940	—	244,602,979 <i>(note b)</i>	244,608,919	25.284%
Mr. Edward Lee Yuen Cheor	Director	—	—	244,602,979 <i>(note b)</i>	244,602,979	25.284%
Mr. Ricky Wai Kwong Yuen	Director	—	37,267,767 <i>(note d)</i>	—	37,267,767	3.852%
Dr. Samson Sun, M.B.E., J.P.	Director	—	4,988,968 <i>(note c)</i>	—	4,988,968	0.516%

(ii) Share options

Name of Director	Capacity	Number of options held	Number of underlying shares
Mr. Loewe Lee Bon Chi	Managing Director (Beneficial owner)	15,200,000	15,200,000
Dr. Samson Sun, M.B.E., J.P.	Independent Non-executive Director	300,000	300,000
Mr. Chan Chak Cheung, William	Independent Non-executive Director	300,000	300,000
Mr. Chan Kwok Wai	Independent Non-executive Director	300,000	300,000

Notes:

- (a) The 245,606,873 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 244,602,979 shares are part of the property of a discretionary trust of which each of Messrs. James Lee Yuen Kui and Edward Lee Yuen Cheor are named beneficiaries.
- (c) The 4,988,968 shares are held by a company controlled by Dr. Samson Sun, M.B.E., J.P.
- (d) The 37,267,767 shares are held by two companies controlled by Mr. Ricky Wai Kwong Yuen.

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 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 2010 (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 Practical Date, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 16,100,000, representing 1.66% 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 period:

Name of Director	Date of grant	Exercise period	Exercise price per share HK\$	Balance at 1.4.2010	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Balance at 31.03.2011
Mr. Loewe Lee Bon Chi	18.3.2010	18.3.2010 — 17.3.2018	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
Dr. Samson Sun	23.3.2011	23.3.2011 — 22.3.2018	0.760	—	300,000	—	—	—	300,000
Mr. Chan Chak Cheung, William	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:

Name	Qualification
DTZ	Professional surveyors and valuers

DTZ does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. DTZ 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 did not have any direct or indirect interests in any assets which have been, since 31 March 2010 (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.

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 22 June 2009 by Majorell Limited, a wholly owned subsidiary of the Company with Summer Style Limited in relation to the sale of properties located at 13th Floor, 17th Floor and Car Parking Space No. 16 on Ground Floor, Shing Dao Industrial Building, No. 232 Aberdeen Main Road, Hong Kong at a consideration of HK\$28,658,300;
- (b) a purchase agreement entered into on 5 October 2009 by Terence Limited, a wholly owned subsidiary of the Company with Everlink Limited in relation to the acquisition of a property located at House 15 including its House Unit, External Wall, Staircase to Basement Floor, Staircase at Main Roof, Main Roof and Upper Roof, Garden and Open Space, Planter and Car Parking Spaces Nos. 15A and 15B on the Basement Floor, No. 1 Shouson Hill Road East, Hong Kong at a consideration of HK\$94,500,000;
- (c) a shareholders' agreement entered into on 5 November 2009 by Tania Investments Limited, a wholly owned subsidiary of the Company, with GCPF Cayman Holding 6 Corp., pursuant to which an equally owned joint venture company will develop a property located at No. 45 Tai Tam Road, Hong Kong and each of the shareholders will provide aggregate shareholders' loan of up to HK\$100,000,000 to the joint venture company; and
- (d) a disposal agreement entered into on 27 April 2011 by Champion Limited, a wholly owned subsidiary of the Company with Easy Jet Corporation Limited in relation to the sale of a property located at 22nd Floor (including the roof thereof) of Century Tower II and Car Parking Space No. 9 on Level 1, Century Tower, Nos. 1 and 1A, Tregunter Path, Hong Kong at a consideration of HK\$128,000,000.

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 11 July 2011:

- (a) the memorandum and Bye-laws of the Company;
- (b) the annual reports of the Company of each of the two financial years immediately preceding the issue of this circular;
- (c) the letter and valuation certificate referred to in Appendix II to this circular;

- (d) the material contracts referred to in this appendix; and
- (e) 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, a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of inconsistency.