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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

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**NATIONAL ELECTRONICS HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 213)**

**MAJOR TRANSACTION IN RELATION TO  
THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF  
ELITE BRIGHT ASIA PACIFIC LIMITED**

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## DEFINITIONS

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

<b>“Acquisition”</b>	the acquisition of the Sale Shares and the Sale Loans by the Purchaser in accordance with the terms of the Formal Agreement
<b>“Adjustments”</b>	has the meaning as defined in the “Adjustment of Initial Consideration” section
<b>“Announcement”</b>	the announcement of the Company dated 22 March 2017 in relation to the Preliminary Agreement
<b>“Board”</b>	board of Directors
<b>“Business Day(s)”</b>	a day other than a Saturday or Sunday or days on which a typhoon signal no.8 or above or black rainstorm signal is in force in Hong Kong at 10:00 a.m., on which banks are open in Hong Kong to the general public for business
<b>“Circular”</b>	this circular issued by the Company in accordance with the Listing Rules in respect of the Acquisition
<b>“Company”</b>	National Electronics Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 213)
<b>“Completion”</b>	the completion of the Acquisition in accordance with the terms of the Formal Agreement
<b>“Completion Accounts”</b>	the statement of financial position of Elite as at the close of business on the Completion Date procured to be prepared by the Vendors by no later than 20 Business Days after (and exclusive of) the Completion Date in accordance with the same methodology and principles as those adopted for the Pro Forma Completion Accounts and in accordance with the relevant requirements set out in the Formal Agreement, and as agreed between the Purchaser and the Vendors or determined by an independent expert or otherwise not disputed by the Purchaser in accordance with the Formal Agreement
<b>“Completion Date”</b>	22 September 2017 or such other date as the Vendors and the Purchaser may agree in writing on which Completion takes place
<b>“Completion Payment”</b>	has the meaning as defined in the “Consideration and payment terms” section

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## DEFINITIONS

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<b>“Consideration”</b>	has the meaning as defined in the “Consideration and payment terms section” section
<b>“CPO”</b>	Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong)
<b>“Deposits”</b>	collectively, the Initial Deposit and the Further Deposit
<b>“Director(s)”</b>	director(s) of the Company
<b>“Elite”</b>	Elite Bright Asia Pacific Limited (錦輝亞太有限公司), a company incorporated in Hong Kong with limited liability and which is wholly-owned by the Vendors as at the Latest Practicable Date
<b>“Enlarged Group”</b>	the Group as enlarged by the Acquisition
<b>“Formal Agreement”</b>	the sale and purchase agreement dated 23 May 2017 entered into between the Vendors and the Purchaser in relation to the Acquisition
<b>“Further Deposit”</b>	has the meaning as defined in the “Consideration and payment terms” section
<b>“Group”</b>	the Company and its subsidiaries
<b>“HLB”</b>	HLB Hogdson Impey Cheng Limited
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Independent Third Party(ies)”</b>	any person or company and their respective ultimate beneficial owner(s) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
<b>“Initial Consideration”</b>	has the meaning as defined in the “Consideration and payment terms” section
<b>“Initial Deposit”</b>	has the meaning as defined in the “Consideration and payment terms” section
<b>“Latest Practicable Date”</b>	5 June 2017, being the latest practicable date prior to the printing of this Circular for ascertaining information contained herein

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## DEFINITIONS

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“ <b>Listing Rules</b> ”	the Rules Governing the Listing of Securities on the Stock Exchange
“ <b>Mortgage</b> ”	has the meaning as defined in the “Assets to be acquired” section
“ <b>Net Current Asset Value</b> ”	the total current assets of Elite (other than the value of the Property) minus total current liabilities of Elite (other than the liability in respect of the Sale Loans, the SHACOM Redemption Amount and deferred taxation liabilities) as at Completion as shown in the Pro Forma Completion Accounts or the Completion Accounts (as the case may be)
“ <b>Preliminary Agreement</b> ”	the preliminary sale and purchase agreement dated 22 March 2017 entered into between the Vendors and the Purchaser in relation to the acquisition of the Sale Shares and the Sale Loans by the Purchaser
“ <b>Pro Forma Completion Accounts</b> ”	the pro forma statement of financial positions of Elite as at close of business on the Completion Date procured to be prepared by the Vendors on or before 5 Business Days prior to (but excluding) the Completion Date
“ <b>Property</b> ”	the piece or parcel of ground registered in the Land Registry of Hong Kong as Aberdeen Inland Lot No. 374 together with all the messuage, erection and building thereon known as Fifteenth Floor, One Island South, No. 2 Heung Yip Road, Hong Kong
“ <b>Prudential</b> ”	Prudential Surveyors (Hong Kong) Limited
“ <b>Purchaser</b> ”	Perfect Way Limited, a company incorporated in Hong Kong with limited liability and which is a wholly-owned subsidiary of the Company
“ <b>Sale Loans</b> ”	collectively, the loans owing by Elite to the relevant Vendors as at Completion, and “ <b>Sale Loan</b> ” means any one of them as the context may require
“ <b>Sale Shares</b> ”	1,600 ordinary shares in the capital of Elite, representing the entire issued share capital of Elite as at the Latest Practicable Date
“ <b>Security Document(s)</b> ”	all those security document(s) which were provided as security for the SHACOM Loan, including the Mortgage
“ <b>SHACOM</b> ”	Shanghai Commercial Bank Limited

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## DEFINITIONS

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<b>“SHACOM Loan”</b>	the facility or facilities of up to the Completion Date granted by SHACOM to Elite and secured by (among others) the Mortgage and, where the context requires, the outstanding amount of the principal sum and any interest accrued thereon
<b>“SHACOM Redemption Amount”</b>	has the meaning as defined in the “Consideration and payment terms” section
<b>“Shareholders”</b>	holders of the shares of the Company
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Termination due to Non-Compliance”</b>	has the meaning as defined in the “Completion” section
<b>“Update Announcement”</b>	the announcement of the Company dated 24 May 2017 in relation to the updates on the Acquisition
<b>“Vendors”</b>	collectively, Vendor A, Vendor B and Vendor C, and <b>“Vendor”</b> means any one of them as the context may require
<b>“%”</b>	per cent

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## LETTER FROM THE BOARD

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# NATIONAL ELECTRONICS HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 213)**

*Executive Directors:*

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

*Registered office:*

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

*Non-executive Director:*

Ms. Lee Yuen Yu, Dorathy

*Principal place of business in Hong Kong:*

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

*Independent non-executive Directors:*

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

9 June 2017

*To the Shareholders*

Dear Sir or Madam,

## MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ELITE BRIGHT ASIA PACIFIC LIMITED

### 1. INTRODUCTION

References are made to the Announcement and the Update Announcement.

On 22 March 2017, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Preliminary Agreement with the Vendors, pursuant to which the Vendors agreed to sell and assign, and the Purchaser agreed to purchase and take up the assignment of, the Sale Shares and the Sale Loans.

On 23 May 2017, the Vendors and the Purchaser entered into the Formal Agreement, which reflects the principal terms contained in the Preliminary Agreement and incorporated other terms customary to the transactions similar to the one contemplated in the Preliminary Agreement. Upon the execution of the Formal Agreement: (i) the Formal Agreement supersedes the Preliminary Agreement and any other previous agreements (whether oral or in writing) between the Vendors and the Purchaser relating to the Acquisition; and (ii) the Preliminary Agreement has been terminated in its entirety.

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## LETTER FROM THE BOARD

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

The Company has obtained written approval from a closely allied group of Shareholders' which together held approximately 50.78% of the total issued share capital of the Company as at the Latest Practicable Date, approving the Acquisition.

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

### 2. THE FORMAL AGREEMENT

The principal terms of the Formal Agreement are set out below:

Date: 23 May 2017

Parties: (1) the Vendors; and  
(2) Perfect Way Limited, as purchaser

To the best knowledge of the Directors having made all reasonable enquiries, the Vendors and their respective ultimate shareholder(s) are Independent Third Parties.

#### Assets to be acquired

Pursuant to the Formal Agreement, each of the Vendors agreed to sell the Sale Shares set out opposite his/her respective names below and assign the benefit of the Sale Loans, and the Purchaser agreed to purchase the Sale Shares and take up the assignment of the Sale Loans:

Vendors	No. of Sale Shares
Vendor A	1,160 shares
Vendor B	220 shares
Vendor C	220 shares

As at the Latest Practicable Date, the aggregate amount of the Sale Loans is approximately HK\$109,848,400.

Elite owns the entire interest in the Property. The Property is presently subject to a mortgage ("**Mortgage**") in favour of SHACOM dated 29 June 2011, which will be released upon Completion.

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



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## LETTER FROM THE BOARD

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### Consideration and payment terms

The Consideration shall be an amount equal to the Initial Consideration (as defined below) as adjusted by the Adjustments.

The “Initial Consideration” shall be an amount computed in accordance with the following:

- (a) an amount equal to HK\$375,000,000;
- (b) plus the amount of the Net Current Asset Value as set out in the Pro Forma Completion Accounts (if it is a positive amount) or minus the absolute value of the amount of the Net Current Asset Value as set out in the Pro Forma Completion Accounts (if it is a negative amount).

Subject to the Adjustments, the Consideration shall be payable by the Purchaser to the Vendors in the following manner:

- (a) an initial deposit (“**Initial Deposit**”) in the amount of HK\$18,750,000 has been paid by the Purchaser to the Vendors’ solicitors on 22 March 2017;
- (b) a further deposit (“**Further Deposit**”) in the sum of HK\$37,500,000 (which, together with the Initial Deposit, shall represent 15% of the Initial Consideration and collectively referred to as the “Deposits”) has been paid by the Purchaser to the Vendors’ solicitors on or before the date of the Formal Agreement;
- (c) an amount equal to the balance of the Initial Consideration after deducting the Deposits (the “**Completion Payment**”) shall be paid by the Purchaser at Completion in the following manner:
  - (i) a sum equal to the amount payable to SHACOM to fully release and discharge the Security Document(s) (including all further interest, prepayment fees, break funding fees and costs and expenses incurred by SHACOM for such release and discharge) (such total amount being the “SHACOM Redemption Amount”), as notified, directed and instructed by the Vendors to the Purchaser, shall be made payable directly to SHACOM; and
  - (ii) a sum equal to the balance of the Completion Payment (being the balance remaining after deducting the SHACOM Redemption Amount from the Completion Payment) shall be paid by the Purchaser to the Vendors’ solicitors; and
- (d) an amount in respect of the adjustment of the Initial Consideration shall be paid by the Purchaser or the Vendors (as the case may be) in accordance with the Adjustments,

provided that the Deposits held by the Vendors’ solicitors as stakeholders may be released to the Vendors after signing of the Formal Agreement.

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## LETTER FROM THE BOARD

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The Consideration was determined after arm's length negotiations and the Directors consider that the Consideration is fair and reasonable and in the interests of the Company and its shareholders as a whole.

### **Pro Forma Completion Accounts and Completion Accounts**

The Vendors shall procure that the Pro Forma Completion Accounts be delivered to the Purchaser by no later than 5 Business Days prior to the Completion Date, and unless otherwise agreed between the Purchaser and the Vendors before the Completion Date, the Pro Forma Completion Accounts shall be adopted for the purpose of calculating the Initial Consideration and the Completion Payment.

After Completion, the Vendors shall procure that the draft Completion Accounts be delivered to the Purchaser by no later than 20 Business Days after the Completion Date. The Purchaser will have the opportunity to raise disputes over the draft Completion Accounts, and any such disputes shall be resolved by agreement between the Purchaser and the Vendors or be determined by an independent expert, in each case in accordance with the procedures specified in the Formal Agreement.

If the Completion Accounts are not disputed or, if disputed, following agreement or determination of the Completion Accounts in accordance with the procedures specified in the Formal Agreement, the amount of the Net Current Asset Value for the purpose of calculating the Adjustments shall be determined by reference to the Completion Accounts.

### **Post-Completion Adjustment of Initial Consideration**

- (a) The Initial Consideration shall be subject to the following adjustments following agreement or determination of the Completion Accounts (the “**Adjustments**”):
  - (i) an amount (if any) by which the Net Current Asset Value (determined by reference to the Completion Accounts) is more than the Net Current Asset Value (as set out in the Pro Forma Completion Accounts) shall be added to the Initial Consideration; or
  - (ii) an amount (if any) by which the Net Current Asset Value (determined by reference to the Completion Accounts) is less than the Net Current Asset Value (as set out in the Pro Forma Completion Accounts) shall be deducted from the Initial Consideration.
- (b) Within 5 Business Days after agreement or determination of the Completion Accounts:
  - (i) if the Initial Consideration is increased pursuant to paragraph (a)(i) above, the Purchaser shall pay to the Vendors the amount of the increase; and
  - (ii) if the Initial Consideration is reduced pursuant to paragraph (a)(ii) above, the Vendors shall pay to the Purchaser the amount of the deduction.

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## LETTER FROM THE BOARD

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### Conditions precedent and warranties

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

- (i) Elite being able to show and give a good title to the Property in accordance with sections 13 and 13A of the CPO;
- (ii) the Vendors collectively being the sole legal and beneficial owners of the Sale Shares free from all encumbrances;
- (iii) the Purchaser having undertaken a due diligence review of Elite and the Property and from which the Purchaser has not identified any issue(s) which may have a material adverse effect on the business, operations, assets, financial position or profits of Elite and/or the Property; and
- (iv) the warranties given by the Vendors to the Purchaser set out in the Formal Agreement remaining true, accurate and not misleading in all respects before and on the date on which Completion would otherwise have taken place if it were not for this condition.

The Purchaser may, to such extent as it thinks fit and is legally entitled to do so, at any time waive in writing any of the above conditions precedent on such terms as it may decide. As at the Latest Practicable Date, the Purchaser does not intend to waive any of the above conditions precedent. As at the Latest Practicable Date, conditions (i) and (iii) above have been fulfilled.

### Completion

Subject to all the conditions precedent set out above being satisfied (or waived pursuant to the terms of the Formal Agreement), Completion shall take place on the Completion Date, or on such other date as the Vendors and Purchaser may agree in writing. Upon Completion, the Purchaser and/or its nominee(s) shall become the legal and beneficial owner of the Sale Shares and the Sale Loans (free from all encumbrances).

Neither the Purchaser nor the Vendors is obliged to complete the Acquisition unless the sale and purchase of the Sale Shares and the assignment of the Sale Loans are completed simultaneously. Neither the Purchaser nor the Vendors is obliged to complete the Acquisition or perform any obligations under the Formal Agreement unless the other party complies fully with the requirements in respect of Completion set out in the Formal Agreement. If the respective obligations of the Purchaser and the Vendors are not complied with on Completion Date, the Purchaser or the Vendors may, by notice to the other party who is unable or unwilling to comply with its obligations under the Formal Agreement: (i) proceed to Completion as far as practicable; or (ii) terminate the Formal Agreement (“**Termination due to Non-Compliance**”).

### Termination and refund/forfeiture of the Deposits

If any of the above conditions precedent has not been satisfied on or before the Completion Date, then unless the parties otherwise agree in writing, then the Purchaser may on that date, at its option (but without prejudice to any other right or remedy it may have), by notice to the Vendors, terminate the Preliminary Agreement.

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## LETTER FROM THE BOARD

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

- (i) if the Purchaser elects to terminate the Formal Agreement due to the non-fulfilment of conditions precedent or Termination due to Non-Compliance, then the Vendors shall immediately upon demand by the Purchaser return all Deposits paid by the Purchaser without any interest or cost; and
- (ii) if the Vendors elect to terminate the Formal Agreement pursuant to Termination due to Non-Compliance, then the Deposits shall be forfeited to the Vendors as liquidated damages on the Completion Date.

### 3. INFORMATION OF ELITE AND THE PROPERTY

Elite is a property investment company. Set out below is the audited financial information of Elite for the three financial years ended 31 March 2015, 2016 and 2017 respectively, extracted from its audited financial statements, prepared in accordance with the Hong Kong Financial Reporting Standards:

	<b>For the financial year ended 31 March 2015 <i>(Audited)</i> HK\$'000</b>	<b>For the financial year ended 31 March 2016 <i>(Audited)</i> HK\$'000</b>	<b>For the financial year ended 31 March 2017 <i>(Audited)</i> HK\$'000</b>
Revenue	4,741	5,596	5,636
Net profit/(loss) before taxation	19,492	(3,916)	68,362
Net profit/(loss) after taxation	19,492	(4,274)	67,642

The audited total assets and the net asset value of Elite as at 31 March 2017 were approximately HK\$409,914,000 and HK\$214,309,000 respectively.

The Property is a commercial property.

As at the Latest Practicable Date, 18 of the 27 units in the Property were leased. The Company intends to hold the Property for long-term investment through receiving rental income from the tenants of the Property.

### 4. REASONS FOR AND BENEFITS OF THE ACQUISITION

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

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## LETTER FROM THE BOARD

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

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

### 5. FINANCIAL EFFECTS OF THE ACQUISITION

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

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this Circular, assuming that Completion had taken place on 30 September 2016, the total assets of the Group would increase by approximately HK\$348,653,000 to approximately HK\$6,042,703,000. The total liabilities of the Group would increase by approximately HK\$320,828,000 to approximately HK\$4,067,975,000.

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

### 6. INFORMATION OF THE COMPANY, THE PURCHASER AND THE VENDORS

#### Information of the Company

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

#### Information of the Purchaser

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

#### Information of the Vendors

The Vendors are individuals who are Independent Third Parties.

### 7. LISTING RULES IMPLICATIONS

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

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## LETTER FROM THE BOARD

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

The Company has a closely allied group of shareholders which together hold approximately 50.78% of the total issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 14.44 of the Listing Rules, the Company has obtained written approval from Brentford Investments Limited which held 250,813,276 shares in the Company as at the Latest Practicable Date (representing approximately 24.66% of the issued share capital of the Company as at the Latest Practicable Date), and from Fenmore Investments Limited which held 265,701,618 shares in the Company as at the Latest Practicable Date (representing approximately 26.12% of the issued share capital of the Company as at the Latest Practicable Date), for the approval of the Acquisition. The said 250,813,276 shares of the Company held by Brentford Investments Limited are part of the property of a discretionary trust of which each of Mr. James Lee Yuen Kui and Mr. Edward Lee Yuen Cheor is named beneficiary. The said 265,701,618 shares of the Company held by Fenmore Investments Limited are part of the property of a discretionary trust of which Mr. Jimmy Lee Yuen Ching and his family members and Mr. Loewe Lee Bon Chi's family members are named beneficiaries. Mr. James Lee Yuen Kui and Mr. Edward Lee Yuen Cheor are brothers and they are cousins of Mr. Jimmy Lee Yuen Ching, who is the father of Mr. Loewe Lee Bon Chi. As such, no general meeting will be convened by the Company to approve such matters.

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

### 8. ADDITIONAL INFORMATION

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

**As Completion of the Acquisition is subject to the fulfillment and/or waiver (if applicable) of the conditions precedent under the Formal Agreement, the Acquisition may or may not proceed to Completion. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

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

**1. FINANCIAL INFORMATION OF THE GROUP**

Audited financial information of the Group for each of the three years ended 31 March 2014, 2015 and 2016 are disclosed in the annual reports of the Company for the years ended 31 March 2014, 2015 and 2016 respectively which were published on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the designated website of the Company (<http://www.irasia.com/listco/hk/national/index.htm>).

Interim financial information of the Group for the six-month ended 30 September 2016 is disclosed in the interim report of the Company for the six-month ended 30 September 2016, which was published on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the designated website of the Company (<http://www.irasia.com/listco/hk/national/index.htm>).

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

**2. INDEBTEDNESS OF THE ENLARGED GROUP**

As at 30 April 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Enlarged Group had outstanding bank borrowings of approximately HK\$3,437 million (of which approximately HK\$2,434 million was secured by fixed charges on certain of the Group's assets, 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\$25 million and contingent liabilities in respect of guarantees given to third parties of approximately HK\$1,049 million.

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

**3. WORKING CAPITAL OF THE ENLARGED GROUP**

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

#### **4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP**

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

##### **Watches and Watch Components**

During the six months ended 30 September 2016, the worldwide demand for watch products in general continued to be weak. As a result, the turnover and profit margin of the Group's watch manufacturing and watch component trading division decreased as compared with the same period last year.

The depreciation of the RMB and other world currencies against the U.S. Dollar will further weaken the purchasing power for watch products from China, Europe and Asian countries. However the Group is hopeful that the improvement of the U.S. market may reduce the negative impact.

##### **Hotel Operation**

Despite a challenging market environment for the hospitality sector in Hong Kong, the Group is able to maintain its sales revenue for its hotel operation with slimmer profit margin.

To counter the current slowdown in Hong Kong's hotel sector, the Group is upgrading the overall service level of the 4 boutique hotels by recruiting talented staff and professional consultants to establish a programme to enhance our services and promote our brand locally and internationally.

##### **Property Development and Investment**

During the same period, Hong Kong's luxurious residential market continued to be strong and the Group's property development and investment business also benefited and the result is satisfactory.

With the continued rise of transaction prices in the ultra-luxurious residential market, the Group's acquisition of 3 South Bay Close has proven to be a very positive investment. The Group is planning to demolish the current building and create another landmark residential project in Hong Kong.

The construction work of the Group's Joint Venture project with BPE Asia Real Estate Fund, L.P. at 45 Tai Tam Road is progressing as planned and extensive luxurious interior fitting out work has commenced by the first quarter of 2017.



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



**國 衛 會 計 師 事 務 所 有 限 公 司**  
**Hodgson Impey Cheng Limited**

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

9 June 2017

The Directors  
National Electronics Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Elite Bright Asia Pacific Limited (“Elite”) for each of the three years ended 31 March 2017 (the “Relevant Periods”), for inclusion in the circular of National Electronics Holdings Limited (the “Company”) dated 9 June 2017 (the “Circular”) in connection with the acquisition of the entire issued share capital of Elite (the “Acquisition”).

Elite was incorporated with limited liability in Hong Kong on 25 November 2010 and is principally engaged in property investment. Elite has adopted 31 March as its financial year end date.

The statutory financial statements of Elite for the years ended 31 March 2015 and 2016 were prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and were audited by Chang Leung Hui & Li C.P.A. Limited, Certified Public Accountants in Hong Kong. The statutory financial statements of Elite for the year ended 31 March 2017 were not available as of the date of this report.

For the purpose of this report, the directors of Elite have prepared the financial statements of Elite for the Relevant Periods (the “Underlying Financial Statements”) in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments to the Underlying Financial Statements are considered necessary in the preparation of this report for inclusion in the Circular.

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

In our opinion, on the basis of preparation set out in note 2 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial positions of Elite as at 31 March 2015, 2016 and 2017, and of its financial performance and cash flows for the Relevant Periods.

#### A. FINANCIAL INFORMATION

##### STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		<b>Year ended 31 March 2015</b>	<b>Year ended 31 March 2016</b>	<b>Year ended 31 March 2017</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	7	4,741	5,596	5,636
Other income	8	—	—	800
Increase/(decrease) in fair value of investment properties	13	18,000	(7,000)	64,000
Administrative expenses		(1,938)	(1,330)	(856)
Finance costs	9	<u>(1,311)</u>	<u>(1,182)</u>	<u>(1,218)</u>
Profit/(Loss) before tax		19,492	(3,916)	68,362
Income tax expense	12	<u>—</u>	<u>(358)</u>	<u>(720)</u>
Profit/(Loss) for the year and total comprehensive income/(expense) for the year	10	<u>19,492</u>	<u>(4,274)</u>	<u>67,642</u>

## STATEMENTS OF FINANCIAL POSITION

		As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000
	<i>Notes</i>			
<b>Non-current assets</b>				
Investment properties	13	348,000	341,000	405,000
Plant and equipment	14	<u>678</u>	<u>188</u>	<u>103</u>
		<u>348,678</u>	<u>341,188</u>	<u>405,103</u>
<b>Current assets</b>				
Accounts receivable	15	560	—	—
Deposits, prepayments and other receivables		1,104	849	898
Amount due from a related company	16	—	—	800
Bank balances		<u>2,047</u>	<u>10,722</u>	<u>3,113</u>
		<u>3,711</u>	<u>11,571</u>	<u>4,811</u>
<b>Current liabilities</b>				
Receipt in advance		198	115	—
Tenancy deposits		2,241	1,683	1,718
Accruals		216	153	32
Amount due to a related company	17	—	1	—
Amounts due to shareholders	18	109,848	117,848	109,848
Bank borrowings	19	<u>88,945</u>	<u>85,934</u>	<u>82,929</u>
		<u>201,448</u>	<u>205,734</u>	<u>194,527</u>
<b>Net current liabilities</b>		<u>(197,737)</u>	<u>(194,163)</u>	<u>(189,716)</u>
<b>Total assets less current liabilities</b>		<u>150,941</u>	<u>147,025</u>	<u>215,387</u>
<b>Capital and reserves</b>				
Share capital	21	2	2	2
Retained profits		<u>150,939</u>	<u>146,665</u>	<u>214,307</u>
<b>Total equity</b>		<u>150,941</u>	<u>146,667</u>	<u>214,309</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	20	<u>—</u>	<u>358</u>	<u>1,078</u>
		<u>150,941</u>	<u>147,025</u>	<u>215,387</u>

## STATEMENTS OF CHANGES IN EQUITY

	<b>Share capital</b> <i>HK\$'000</i> <i>(Note 21)</i>	<b>Retained profits</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 2014	2	131,447	131,449
Profit for the year and total comprehensive income for the year	<u>—</u>	<u>19,492</u>	<u>19,492</u>
At 31 March 2015	2	150,939	150,941
Loss for the year and total comprehensive expense for the year	<u>—</u>	<u>(4,274)</u>	<u>(4,274)</u>
At 31 March 2016	2	146,665	146,667
Profit for the year and total comprehensive income for the year	<u>—</u>	<u>67,642</u>	<u>67,642</u>
At 31 March 2017	<u>2</u>	<u>214,307</u>	<u>214,309</u>

## STATEMENTS OF CASH FLOWS

	Year ended 31 March 2015 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>	Year ended 31 March 2017 <i>HK\$'000</i>
<b>Cash flows from operating activities</b>			
Profit/(Loss) before tax	19,492	(3,916)	68,362
Adjustments for:			
(Increase)/decrease in fair value of investment properties	(18,000)	7,000	(64,000)
Depreciation of plant and equipment	587	578	95
Impairment of accounts receivable	390	—	—
Finance costs	<u>1,311</u>	<u>1,182</u>	<u>1,218</u>
Operating cash flows before movements in working capital	3,780	4,844	5,675
(Increase)/decrease in accounts receivable	(555)	560	—
(Increase)/decrease in deposits, prepayments and other receivables	(234)	255	(49)
Increase in amount due from a related company	—	—	(800)
Increase/(decrease) in receipt in advance	198	(83)	(115)
Increase/(decrease) in tenancy deposits	793	(558)	35
Increase/(decrease) in accruals	166	(63)	(121)
Increase/(decrease) in amount due to a related company	<u>—</u>	<u>1</u>	<u>(1)</u>
Net cash generated from operating activities	<u>4,148</u>	<u>4,956</u>	<u>4,624</u>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	<u>(206)</u>	<u>(88)</u>	<u>(10)</u>
Net cash used in investing activities	<u>(206)</u>	<u>(88)</u>	<u>(10)</u>

	<b>Year ended 31 March 2015 <i>HK\$'000</i></b>	<b>Year ended 31 March 2016 <i>HK\$'000</i></b>	<b>Year ended 31 March 2017 <i>HK\$'000</i></b>
<b>Cash flows from financing activities</b>			
Interest paid	(1,311)	(1,182)	(1,218)
Increase/(decrease) in amounts due to shareholders	6,350	8,000	(8,000)
Repayment of bank loans	—	(3,011)	(3,005)
Repayment to a related company	<u>(7,900)</u>	<u>—</u>	<u>—</u>
Net cash (used in)/generated from financing activities	<u>(2,861)</u>	<u>3,807</u>	<u>(12,223)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	1,081	8,675	(7,609)
<b>Cash and cash equivalents at the beginning of the year</b>	<u>966</u>	<u>2,047</u>	<u>10,722</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>2,047</u></u>	<u><u>10,722</u></u>	<u><u>3,113</u></u>
Represented by:			
Bank balances	<u><u>2,047</u></u>	<u><u>10,722</u></u>	<u><u>3,113</u></u>

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

Elite was incorporated with limited liability in Hong Kong on 25 November 2010. The address of the registered office and principal place of business of Elite is Room 1501, 15/F, C C Wu Building, 302-308 Hennessy Road, Wanchai, Hong Kong. The principal activity of Elite is property investment.

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

**2. BASIS OF PREPARATION OF FINANCIAL INFORMATION**

In preparing the Financial Information of Elite, the directors of Elite have given careful consideration to the future liquidity of Elite, in view of the fact that Elite's current liabilities exceed its current assets by approximately HK\$189,716,000 as at 31 March 2017. The directors of Elite are satisfied that Elite will have sufficient funds to meet in full its financial obligations as they fall due for the foreseeable future, after taking into consideration that the beneficial shareholders have agreed to provide adequate funds to Elite to meet in full its financial obligations up to the date of the completion of the Acquisition. Moreover, upon completion of the Acquisition, the Company will provide financial support to Elite to meet in full its financial obligations as they fall due in the foreseeable future.

**3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS**

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, Elite has consistently applied the HKFRSs which are effective for the accounting period beginning on 1 April 2016 throughout the Relevant Periods.

Elite has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle <sup>5</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

Amendments to HKAS 7	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>4</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 2018

The directors of Elite anticipate that the application of the new and amendments to HKFRSs will have no material impact on the financial statements of Elite.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Information has been prepared on the historical cost basis except for certain properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Elite takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Financial Information is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36.

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



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

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

The principal accounting policies are set out below.

### **Revenue recognition**

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to Elite and when specific criteria have been met for each of Elite's activities, as described below.

Consultancy fee income is recognised when services are provided.

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

### **Leasing**

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

#### ***Elite as lessor***

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

### **Borrowing costs**

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

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

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

### **Taxation**

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

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

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

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

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

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

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

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

**Property, plant and equipment**

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

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

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

**Investment properties**

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

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

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

**Impairment on tangible assets**

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

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

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

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

### **Provisions**

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

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

### **Financial instruments**

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### ***Financial assets***

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

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

*Loans and receivables*

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

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

*Impairment of financial assets*

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

Objective evidence of impairment could include:

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

Objective evidence of impairment for a portfolio of receivables could include Elite's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

### *Financial liabilities and equity instruments*

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

#### *Equity instruments*

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

#### *Financial liabilities at amortised cost*

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

#### *Derecognition*

Elite derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If Elite neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, Elite recognises its retained

interest in the asset and an associated liability for amounts it may have to pay. If Elite retains substantially all the risks and rewards of ownership of a transferred financial asset, Elite continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

## **5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

### **Critical judgements in applying accounting policies**

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

#### ***Deferred taxation on investment properties***

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

**Key sources of estimation uncertainty**

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

***Fair value of investment properties***

Elite's investment properties are measured at fair value for financial reporting purposes. In estimating the fair value of the investment properties, the directors of Elite uses market-observable data to the extent it is available. Where Level 1 inputs are not available, Elite engages third party qualified valuers to perform the valuation. At the end of each reporting period, the directors of Elite works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The directors of Elite will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the directors of Elite will adopt valuation techniques that include Level 3 inputs. Information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the investment properties are disclosed in note 13.

**6. SEGMENT INFORMATION**

Elite's operating activities are attributable to a single operating segment focusing on the property investment. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by the directors of Elite for allocating resources to the segment and assessing its performance. Therefore, no further analysis of segment information is presented.

All of Elite's revenue and non-current assets are derived from and located in Hong Kong.

**Information about major customers**

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

	<b>Year ended 31 March 2015 HK\$'000</b>	<b>Year ended 31 March 2016 HK\$'000</b>	<b>Year ended 31 March 2017 HK\$'000</b>
Customer A	N/A <sup>1</sup>	1,967	1,967
Customer B	N/A <sup>1</sup>	562	570
Customer C	634	640	666
Customer D	494	741	850
Customer E	N/A <sup>1</sup>	N/A <sup>1</sup>	1,248
Customer F	<u>3,080</u>	<u>1,585</u>	<u>N/A<sup>1</sup></u>

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of Elite.



**7. REVENUE**

Revenue represents the rental income from investment properties.

**8. OTHER INCOME**

	Year ended 31 March 2015 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>	Year ended 31 March 2017 <i>HK\$'000</i>
Consultancy fee income	<u>—</u>	<u>—</u>	<u>800</u>

**9. FINANCE COSTS**

	Year ended 31 March 2015 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>	Year ended 31 March 2017 <i>HK\$'000</i>
Interest on:			
- bank loans	1,181	1,182	1,218
- amount due to a related company	<u>130</u>	<u>—</u>	<u>—</u>
	<u>1,311</u>	<u>1,182</u>	<u>1,218</u>

**10. PROFIT/(LOSS) FOR THE YEAR**

Profit/(Loss) for the year has been arrived at after charging:

	Year ended 31 March 2015 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>	Year ended 31 March 2017 <i>HK\$'000</i>
Auditors' remuneration	16	17	20
Depreciation of plant and equipment	587	578	95
Impairment of accounts receivable	390	—	—
Outgoings in respect of investment properties	<u>640</u>	<u>490</u>	<u>491</u>

**11. BENEFITS AND INTERESTS OF DIRECTORS****(a) Directors' emoluments**

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

**(b) Directors' material interests in transactions, arrangements or contracts**

During the year ended 31 March 2015, Elite paid loan interest of approximately HK\$130,000 to Blue Leaf Limited ("Blue Leaf") in which Ms. Wu Chung Lin Dora, the director of the Company, has beneficial interest and paid cleaning expense of approximately HK\$54,000 to Vitat Company Limited ("Vitat") in which Ms. Wu Chung Lin Dora, Mr. Wu Bin and Mr. Wu Da Tien, the directors of the Company, have beneficial interests.

During the year ended 31 March 2016, Elite paid cleaning expense of approximately HK\$119,000 to Vitat.

During the year ended 31 March 2017, Elite paid cleaning expense and property management fee of approximately HK\$85,000 and HK\$35,000 respectively to Vitat and received consultancy fee income of approximately HK\$800,000 from Global Ultimate Limited ("Global Ultimate") in which Ms. Wu Chung Lin Dora has beneficial interest.

Save for the aforementioned transactions, no other significant transactions, arrangements or contracts to which the Company was a party and in which a director of Elite had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the Relevant Periods.

**(c) Information about loans, quasi-loans and other dealings in favour of directors, their controlled bodies corporate and their connected entities**

The information about loans, quasi-loans and other dealings entered into by the Company in favour of a controlled body corporate of Ms. Wu Chung Lin Dora is set out in note 16.

**12. INCOME TAX EXPENSE**

	<b>Year ended 31 March 2015 HK\$'000</b>	<b>Year ended 31 March 2016 HK\$'000</b>	<b>Year ended 31 March 2017 HK\$'000</b>
Deferred tax ( <i>note 20</i> )	—	358	720

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Relevant Periods. No provision for Hong Kong Profits Tax has been made in the Financial Information as Elite has no assessable profits for the Relevant Periods.

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

	<b>Year ended 31 March 2015 HK\$'000</b>	<b>Year ended 31 March 2016 HK\$'000</b>	<b>Year ended 31 March 2017 HK\$'000</b>
Profit/(Loss) before tax	<u>19,492</u>	<u>(3,916)</u>	<u>68,362</u>
Tax at Hong Kong Profits Tax rate of 16.5%	3,216	(646)	11,280
Tax effect of income not taxable for tax purpose	(2,970)	—	(10,560)
Tax effect of expenses not deductible for tax purpose	—	1,155	—
Recognition of previously unrecognised tax losses	<u>(246)</u>	<u>(151)</u>	<u>—</u>
Tax charge for the year	<u>—</u>	<u>358</u>	<u>720</u>

### 13. INVESTMENT PROPERTIES

	<b>Year ended 31 March 2015 HK\$'000</b>	<b>Year ended 31 March 2016 HK\$'000</b>	<b>Year ended 31 March 2017 HK\$'000</b>
At the beginning of the year	330,000	348,000	341,000
Increase/(decrease) in fair value recognised in profit or loss - unrealised	<u>18,000</u>	<u>(7,000)</u>	<u>64,000</u>
At the end of the year	<u>348,000</u>	<u>341,000</u>	<u>405,000</u>

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

The fair values of the investment properties as at 31 March 2015, 2016 and 2017 have been arrived at on the basis of a valuation carried out by Jones Lang LaSalle Limited, independent qualified professional valuers not connected with Elite.

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

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

Details of Elite's investment properties and information about the fair value hierarchy as at 31 March 2015, 2016 and 2017 are as follows:

<b>Investment properties</b>	<b>Fair value hierarchy</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Sensitivity</b>
Commercial properties located in Hong Kong	Level 3	Direct comparison approach	Adjusted average price per square foot of HK\$11,659, HK\$11,425 and HK\$13,569 as at 31 March 2015, 2016 and 2017 respectively	A significant increase in the adjusted average price per square foot used would result in a significant increase in fair value, and vice versa.

## 14. PLANT AND EQUIPMENT

	Leasehold improvement <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>			
As at 1 April 2014	2,131	11	2,142
Additions	<u>186</u>	<u>20</u>	<u>206</u>
As at 31 March 2015	2,317	31	2,348
Additions	<u>88</u>	<u>—</u>	<u>88</u>
As at 31 March 2016	2,405	31	2,436
Additions	<u>5</u>	<u>5</u>	<u>10</u>
As at 31 March 2017	<u>2,410</u>	<u>36</u>	<u>2,446</u>
<b>Accumulated depreciation</b>			
As at 1 April 2014	1,078	5	1,083
Provided for the year	<u>579</u>	<u>8</u>	<u>587</u>
As at 31 March 2015	1,657	13	1,670
Provided for the year	<u>570</u>	<u>8</u>	<u>578</u>
As at 31 March 2016	2,227	21	2,248
Provided for the year	<u>89</u>	<u>6</u>	<u>95</u>
As at 31 March 2017	<u>2,316</u>	<u>27</u>	<u>2,343</u>
<b>Carrying values</b>			
As at 31 March 2015	<u>660</u>	<u>18</u>	<u>678</u>
As at 31 March 2016	<u>178</u>	<u>10</u>	<u>188</u>
As at 31 March 2017	<u>94</u>	<u>9</u>	<u>103</u>

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

**15. ACCOUNTS RECEIVABLE**

Rental receivables are billed and payable in advance by tenants. Included in the accounts receivable balance as at 31 March 2015 are debtors with an aggregate carrying amount of approximately HK\$560,000 which are past due as at the end of the reporting period for which Elite has not provided for impairment loss as the balances are still considered recoverable. Elite does not hold any collateral over these balances.

**Ageing of accounts receivable which are past due but not impaired**

	<b>As at 31 March 2015 HK\$'000</b>	<b>As at 31 March 2016 HK\$'000</b>	<b>As at 31 March 2017 HK\$'000</b>
1-30 days	280	—	—
31-60 days	<u>280</u>	<u>—</u>	<u>—</u>
	<u>560</u>	<u>—</u>	<u>—</u>

**Movement in the allowance for doubtful debts**

	<b>Year ended 31 March 2015 HK\$'000</b>	<b>Year ended 31 March 2016 HK\$'000</b>	<b>Year ended 31 March 2017 HK\$'000</b>
At the beginning of the year	—	—	—
Impairment loss recognised on receivables	390	—	—
Amounts written off as uncollectible	<u>(390)</u>	<u>—</u>	<u>—</u>
At the end of the year	<u>—</u>	<u>—</u>	<u>—</u>

**16. AMOUNT DUE FROM A RELATED COMPANY**

	<b>Maximum amount outstanding during</b>			<b>As at 31 March 2015 HK\$'000</b>	<b>As at 31 March 2016 HK\$'000</b>	<b>As at 31 March 2017 HK\$'000</b>
	<b>Year ended 31 March 2015 HK\$'000</b>	<b>Year ended 31 March 2016 HK\$'000</b>	<b>Year ended 31 March 2017 HK\$'000</b>			
Global Ultimate	<u>—</u>	<u>—</u>	<u>800</u>	<u>—</u>	<u>—</u>	<u>800</u>

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

**17. AMOUNT DUE TO A RELATED COMPANY**

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

**18. AMOUNTS DUE TO SHAREHOLDERS**

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

**19. BANK BORROWINGS**

	<b>As at 31 March 2015 HK\$'000</b>	<b>As at 31 March 2016 HK\$'000</b>	<b>As at 31 March 2017 HK\$'000</b>
Secured bank loans	<u>88,945</u>	<u>85,934</u>	<u>82,929</u>
Scheduled payment terms of bank borrowings contain a repayment on demand clause (shown under current liabilities)			
Within one year	2,976	3,090	3,027
More than one year, but not exceeding two years	3,055	3,103	3,074
More than two years, but not exceeding five years	8,847	9,257	9,509
More than five years	<u>74,067</u>	<u>70,484</u>	<u>67,319</u>
	<u>88,945</u>	<u>85,934</u>	<u>82,929</u>

The bank loans bear interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 1.1% per annum.

At 31 March 2015, 2016 and 2017, the bank loans were secured by (i) Elite's investment properties at carrying amount of approximately HK\$348,000,000, HK\$341,000,000 and HK\$405,000,000 respectively; and (ii) personal guarantee from Ms. Wu Chung Lin Dora, Mr. Wu Bin and Mr. Wu Da Tien, the directors of Elite, to the extent of HK\$94,000,000 together with interest.

**20. DEFERRED TAXATION**

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

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>	<b>Tax losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 2014	1,091	(1,091)	—
Charge/(credit) to profit or loss	<u>541</u>	<u>(541)</u>	<u>—</u>
At 31 March 2015	1,632	(1,632)	—
Charge/(credit) to profit or loss	<u>542</u>	<u>(184)</u>	<u>358</u>
At 31 March 2016	2,174	(1,816)	358
Charge to profit or loss	<u>621</u>	<u>99</u>	<u>720</u>
At 31 March 2017	<u>2,795</u>	<u>(1,717)</u>	<u>1,078</u>

At 31 March 2015, 2016 and 2017, Elite has unused tax losses of approximately HK\$10,807,000, HK\$11,004,000 and HK\$10,408,000 respectively available for offset against future profits. A deferred tax asset of approximately HK\$1,632,000, HK\$1,816,000 and HK\$1,717,000 has been recognised in respect of approximately HK\$9,895,000, HK\$11,004,000 and HK\$10,408,000 of such losses. At 31 March 2015, no deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$912,000 due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

**21. SHARE CAPITAL**

	<b>As at 31 March 2015</b> <i>HK\$'000</i>	<b>As at 31 March 2016</b> <i>HK\$'000</i>	<b>As at 31 March 2017</b> <i>HK\$'000</i>
<b>Issued and fully paid:</b>			
1,600 ordinary shares	<u>2</u>	<u>2</u>	<u>2</u>



**22. OPERATING LEASE COMMITMENTS**

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

	<b>As at 31 March 2015 HK\$'000</b>	<b>As at 31 March 2016 HK\$'000</b>	<b>As at 31 March 2017 HK\$'000</b>
Within one year	5,727	5,080	5,996
In the second to fifth year inclusive	<u>4,843</u>	<u>5,775</u>	<u>2,119</u>
	<u>10,570</u>	<u>10,855</u>	<u>8,115</u>

**23. RELATED PARTY TRANSACTIONS****(a) Transactions with related parties**

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

	<b>Year ended 31 March 2015 HK\$'000</b>	<b>Year ended 31 March 2016 HK\$'000</b>	<b>Year ended 31 March 2017 HK\$'000</b>
Consultancy fee income from Global Ultimate	—	—	800
Interest expense to Blue Leaf	130	—	—
Cleaning expense to Vitat	54	119	85
Property management fee to Vitat	<u>—</u>	<u>—</u>	<u>35</u>

**(b) Balances with related parties**

Details of balances with related parties are set out in notes 16, 17 and 18.

**(c) Guarantees provided by related parties**

Details of guarantees provided by related parties are set out in note 19.

**(d) Compensation of key management personnel**

The remuneration paid and payable to key management of Elite, being the directors of Elite, for the Relevant Periods are set out in note 11(a).

**24. CAPITAL RISK MANAGEMENT**

Elite manages its capital to ensure that Elite will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Elite's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of Elite consists of debt (which includes amounts due to shareholders and bank borrowings) and equity attributable to owners of Elite (comprising issued share capital and retained profits).

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

**25. FINANCIAL INSTRUMENTS****(a) Categories of financial instruments**

	<b>As at 31 March 2015 HK\$'000</b>	<b>As at 31 March 2016 HK\$'000</b>	<b>As at 31 March 2017 HK\$'000</b>
<b>Financial assets</b>			
Loans and receivables			
- Accounts receivable	560	—	—
- Deposits and other receivables	1,102	848	898
- Amount due from a related company	—	—	800
- Bank balances	<u>2,047</u>	<u>10,722</u>	<u>3,113</u>
	<u>3,709</u>	<u>11,570</u>	<u>4,811</u>
<b>Financial liabilities</b>			
Amortised cost			
- Tenancy deposits	2,241	1,683	1,718
- Accruals	216	153	32
- Amount due to a related company	—	1	—
- Amounts due to shareholders	109,848	117,848	109,848
- Bank borrowings	<u>88,945</u>	<u>85,934</u>	<u>82,929</u>
	<u>201,250</u>	<u>205,619</u>	<u>194,527</u>

**(b) Financial risk management objectives and policies**

Elite's major financial instruments include bank balances, amounts due to shareholders and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

***Interest rate risk***

Elite is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. It is the Elite's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

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

***Sensitivity analysis***

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables were held constant, Elite's profit/loss for the years ended 31 March 2015, 2016 and 2017 would decrease/increase by approximately HK\$371,000, HK\$359,000 and HK\$346,000 respectively. If interest rates had been 50 basis points lower and all other variables were held constant, there would be an equal and opposite impact on the profit/loss.

***Credit risk***

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

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

The credit risk on liquid funds is limited because the counterparty is a bank with high credit ratings assigned by international credit-rating agencies.

### *Liquidity risk*

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

Elite had net current liabilities at 31 March 2017, which exposed Elite to liquidity risk. In order to mitigate the liquidity risk, the beneficial shareholders of Elite have agreed to provide adequate funds for Elite to meet in full its financial obligations as they fall due for the foreseeable future.

The following tables detail Elite's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Elite can be required to pay. Specifically bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for financial liabilities are based on the agreed repayment dates.

### *Liquidity table*

	<b>Weighted average interest rate</b>	<b>No fixed terms of repayment <i>HK\$'000</i></b>	<b>On demand or less than 1 year <i>HK\$'000</i></b>	<b>Total undiscounted cash flows <i>HK\$'000</i></b>	<b>Total carrying amount <i>HK\$'000</i></b>
<b>31 March 2015</b>					
Tenancy deposits	—	—	2,241	2,241	2,241
Accruals	—	—	216	216	216
Amounts due to shareholders	—	109,848	—	109,848	109,848
Bank borrowings	1.34%	—	88,945	88,945	88,945
		<u>109,848</u>	<u>91,402</u>	<u>201,250</u>	<u>201,250</u>
<b>31 March 2016</b>					
Tenancy deposits	—	—	1,683	1,683	1,683
Accruals	—	—	153	153	153
Amount due to a related company	—	1	—	1	1
Amounts due to shareholders	—	117,848	—	117,848	117,848
Bank borrowings	1.33%	—	85,934	85,934	85,934
		<u>117,849</u>	<u>87,770</u>	<u>205,619</u>	<u>205,619</u>

	Weighted average interest rate	No fixed terms of repayment <i>HK\$'000</i>	On demand or less than 1 year <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Total carrying amount <i>HK\$'000</i>
<b>31 March 2017</b>					
Tenancy deposits	—	—	1,718	1,718	1,718
Accruals	—	—	32	32	32
Amounts due to shareholders	—	109,848	—	109,848	109,848
Bank borrowings	1.54%	—	<u>82,929</u>	<u>82,929</u>	<u>82,929</u>
		<u>109,848</u>	<u>84,679</u>	<u>194,527</u>	<u>194,527</u>

Bank loans with a repayment on demand clause are included in the “on demand or less than 1 year” time band in the above maturity analysis. Taking into account Elite’s financial position, the directors of Elite do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of Elite believe that such bank loans will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

*Maturity analysis - Bank loans with a repayment on demand clause based on scheduled repayments*

	Less than 1 year <i>HK\$'000</i>	Between 1 year to 2 years <i>HK\$'000</i>	Between 2 years to 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
At 31 March 2015	<u>4,191</u>	<u>4,191</u>	<u>12,572</u>	<u>83,812</u>	<u>104,766</u>	<u>88,945</u>
At 31 March 2016	<u>4,183</u>	<u>4,183</u>	<u>12,547</u>	<u>79,467</u>	<u>100,380</u>	<u>85,934</u>
At 31 March 2017	<u>4,287</u>	<u>4,287</u>	<u>12,861</u>	<u>77,163</u>	<u>98,598</u>	<u>82,929</u>

## B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared of Elite in respect of any period subsequent to 31 March 2017.

Yours faithfully,

**HLB Hodgson Impey Cheng Limited**  
*Certified Public Accountants*

**Hui Chun Keung, David**  
Practising Certificate Number: P05447

Hong Kong

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## **APPENDIX III MANAGEMENT DISCUSSION AND ANALYSIS ON ELITE**

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Elite is a Hong Kong incorporated company which owns the Property for lease purpose. The Property is the whole 15th floor (included a total of 27 units) of a 29-storey (ground, 1st to 31st floors with 4th, 14th, 24th floors omitted and refuge floor between 5th and 6th floors) commercial building, planned to have car parking spaces, loading areas and commercial units on ground floor, carparks on 1st to 5th floors, office units on floors above, with main lift lobby on ground floor entered from junction of Yip Fat Street and Heung Yip Road. The construction of the Property was completed in 2011. The total gross floor area of the Property is approximately 29,848 sq. ft.

The following is the management discussion and analysis on Elite for the three years ended 31 March 2015, 31 March 2016 and 31 March 2017 which is prepared based on the financial information of Elite set out in Appendix II to this circular.

**(i) For the year ended 31 March 2015 (the “Year 2015”)**

***Business and financial review***

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

Revenue of Elite represents the gross rental income from the Property. The revenue of Elite for the year ended 31 March 2015 amounted to approximately HK\$4.7 million. The profit before and after taxation amounted to approximately HK\$19.5 million of which HK\$18 million was attributable to the increase in fair value of the Property.

The administrative expenses of Elite incurred during the Year 2015 were approximately HK\$1.9 million which included but were not limited to agency fee, auditors’ remuneration, bad debts, building management fee, cleaning expenses, depreciation, government rent and rates, legal and professional fee and utilities.

During the Year 2015, the finance costs of Elite of approximately HK\$1.3 million were interests paid on bank loan and loan due to a related company.

***Liquidity and financial resources***

During the Year 2015, Elite funded its operations mainly by its operating profit and loans from its shareholders.

As at 31 March 2015, the bank borrowing was approximately HK\$88.9 million, which was secured by the Property.

The amount owing from Elite to its shareholders as at 31 March 2015 was approximately HK\$109.8 million and was unsecured, interest-free and has no fixed terms of repayment.

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## **APPENDIX III      MANAGEMENT DISCUSSION AND ANALYSIS ON ELITE**

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As at 31 March 2015, the current assets of Elite was approximately HK\$3.7 million and the current liabilities of Elite was approximately HK\$201.4 million. The current ratio of Elite, represented by current assets as a percentage of current liabilities, was approximately 1.8% as at 31 March 2015.

As at 31 March 2015, the total assets of Elite amounted to approximately HK\$352.4 million and the total debt (which includes amounts due to shareholders and bank borrowing) of Elite amounted to approximately HK\$198.8 million. The gearing ratio of Elite, represented by total debt as a percentage of total assets, was approximately 56.4% as at 31 March 2015.

### ***Employment and remuneration policy***

Elite does not employ any employees during the Year 2015.

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

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

### ***Charge on assets***

The Property is subject to a mortgage in favour of Shanghai Commercial Bank Limited dated 29 June 2011.

### ***Contingent liabilities***

Elite did not have any significant contingent liabilities as at 31 March 2015.

### ***Significant acquisition and disposal***

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

### **(ii) For the year ended 31 March 2016 (the “Year 2016”)**

#### ***Business and financial review***

During the Year 2016, Elite was principally engaged in property investment.

Revenue of Elite represents the gross rental income from the Property. The revenue of Elite for the year ended 31 March 2016 amounted to approximately HK\$5.6 million. The loss before and after taxation amounted to approximately HK\$3.9 million and HK\$4.3 million respectively of which HK\$7 million was attributable to the decrease in fair value of the Property.

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## **APPENDIX III MANAGEMENT DISCUSSION AND ANALYSIS ON ELITE**

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The administrative expenses of Elite incurred during the Year 2016 were approximately HK\$1.3 million which included but were not limited to agency fee, auditors' remuneration, building management fee, cleaning expenses, depreciation, government rent and rates, legal and professional fee, repairs and maintenance and utilities.

During the Year 2016, the finance costs of Elite of approximately HK\$1.2 million were interests paid on bank loan.

### ***Liquidity and financial resources***

During the Year 2016, Elite funded its operations mainly by its operating profit and loans from its shareholders.

As at 31 March 2016, the bank borrowing was approximately HK\$85.9 million, which was secured by the Property.

The amount owing from Elite to its shareholders as at 31 March 2016 was approximately HK\$117.8 million and was unsecured, interest-free and has no fixed terms of repayment.

As at 31 March 2016, the current assets of Elite was approximately HK\$11.6 million and the current liabilities of Elite was approximately HK\$205.7 million. The current ratio of Elite, represented by current assets as a percentage of current liabilities, was approximately 5.6% as at 31 March 2016.

As at 31 March 2016, the total assets of Elite amounted to approximately HK\$352.8 million and the total debt (which includes amounts due to shareholders and bank borrowing) of Elite amounted to approximately HK\$203.8 million. The gearing ratio of Elite, represented by total liabilities as a percentage of total assets, was approximately 57.8% as at 31 March 2016.

### ***Employment and remuneration policy***

Elite does not employ any employees during the Year 2016.

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

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

### ***Charge on assets***

The Property is subject to a mortgage in favour of Shanghai Commercial Bank Limited dated 29 June 2011.



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## APPENDIX III MANAGEMENT DISCUSSION AND ANALYSIS ON ELITE

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### *Contingent liabilities*

Elite did not have any significant contingent liabilities as at 31 March 2016.

### *Significant acquisition and disposal*

During the Year 2016, Elite did not have any significant acquisition or disposal of investment.

### **(iii) For the year ended 31 March 2017 (the “Year 2017”)**

### *Business and financial review*

During the Year 2017, Elite was principally engaged in property investment.

Revenue of Elite represents the gross rental income from the Property. The revenue of Elite for the year ended 31 March 2017 amounted to approximately HK\$5.6 million. Elite received a consultancy fee income of HK\$0.8 million from a related company during the Year 2017. The profit before and after taxation amounted to approximately HK\$68.4 million and HK\$67.6 million respectively of which HK\$64 million was attributable to the increase in fair value of the Property.

The administrative expenses of Elite incurred during the Year 2017 were approximately HK\$0.9 million which included but were not limited to auditors’ remuneration, building management fee, cleaning expenses, depreciation, government rent and rates, legal and professional fee, repairs and maintenance and utilities.

During the Year 2017, the finance costs of Elite of approximately HK\$1.2 million were interests paid on bank loan.

### *Liquidity and financial resources*

During the Year 2017, Elite funded its operations mainly by its operating profit.

As at 31 March 2017, the bank borrowing was approximately HK\$82.9 million, which was secured by the Property.

The amount owing from Elite to its shareholders as at 31 March 2017 was approximately HK\$109.8 million and was unsecured, interest-free and no fixed terms of repayment.

As at 31 March 2017, the current assets of Elite was approximately HK\$4.8 million and the current liabilities of Elite was approximately HK\$194.5 million. The current ratio of Elite, represented by current assets as a percentage of current liabilities, was approximately 2.5% as at 31 March 2017.

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## **APPENDIX III    MANAGEMENT DISCUSSION AND ANALYSIS ON ELITE**

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As at 31 March 2017, the total assets of Elite amounted to approximately HK\$409.9 million and the total debt (which includes amounts due to shareholders and bank borrowing) of Elite amounted to approximately HK\$192.8 million. The gearing ratio of Elite, represented by total liabilities as a percentage of total assets, was approximately 47.0% as at 31 March 2017.

### ***Employment and remuneration policy***

Elite does not employ any employees during the Year 2017.

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

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

### ***Charge on assets***

The Property is subject to a mortgage in favour of Shanghai Commercial Bank Limited dated 29 June 2011.

### ***Contingent liabilities***

Elite did not have any significant contingent liabilities as at 31 March 2017.

### ***Significant acquisition and disposal***

During the Year 2017, Elite did not have any significant acquisition or disposal of investment.

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

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

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

The Unaudited Pro Forma Financial Information has been prepared as if the Acquisition had been completed on 30 September 2016 and is based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2016 as extracted from the interim report of the Group for the six months ended 30 September 2016 and (ii) the audited statement of financial position of Elite as at 31 March 2017 as set out in Appendix II to this circular after making pro forma adjustments that are (i) directly attributable to the Acquisition and not relating to future events or decisions; and (ii) factually supportable.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 30 September 2016 or any future date.

	<b>The Group as at 30 September 2016</b>	<b>Elite as at 31 March 2017</b>	<b>Pro forma adjustment</b>	<b>Pro forma adjustment</b>	<b>Pro forma adjustment</b>	<b>Pro forma Enlarged Group</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 4)</i>	<i>(Note 5)</i>	
<b>Non-current assets</b>						
Investment properties	3,468,386	405,000				3,873,386
Property, plant and equipment	547,467	103				547,570
Prepaid lease payments	2,675	—				2,675
Goodwill	1,270	—				1,270
Interest in an associate	7,685	—				7,685
Interests in joint ventures	368,872	—				368,872
Available-for-sale investments	26,200	—				26,200
Held-to-maturity investments	3,172	—				3,172
Deferred tax assets	2,773	—				2,773
	<u>4,428,500</u>	<u>405,103</u>				<u>4,833,603</u>

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

	<b>The Group as at 30 September 2016 HK\$'000 (Unaudited) (Note 1)</b>	<b>Elite as at 31 March 2017 HK\$'000 (Audited) (Note 2)</b>	<b>Pro forma adjustment HK\$'000 (Unaudited) (Note 3)</b>	<b>Pro forma adjustment HK\$'000 (Unaudited) (Note 4)</b>	<b>Pro forma adjustment HK\$'000 (Unaudited) (Note 5)</b>	<b>Pro forma Enlarged Group HK\$'000 (Unaudited)</b>
<b>Current assets</b>						
Inventories	150,375	—				150,375
Prepaid lease payments	68	—				68
Investments held for trading	113,935	—				113,935
Inventory of unsold properties	6,039	—				6,039
Properties under development for sale	338,919	—				338,919
Bills receivables	621	—				621
Trade receivables, deposits and prepayments	267,287	898		800		268,985
Amount due from a related company	—	800		(800)		—
Amount due from a joint venture	35,650	—				35,650
Tax recoverable	92	—				92
Bank balances and cash	<u>352,564</u>	<u>3,113</u>	(60,061)		(1,200)	<u>294,416</u>
	<u>1,265,550</u>	<u>4,811</u>				<u>1,209,100</u>
<b>Current liabilities</b>						
Trade payables and accrued expenses	154,620	32				154,652
Customers' deposits	184,573	1,718				186,291
Bills payables	93,504	—				93,504
Amounts due to shareholders	—	109,848	(109,848)			—
Amount due to an associate	46,816	—				46,816
Tax payable	2,618	—				2,618
Obligations under finance leases	4,120	—				4,120
Bank loans	641,851	82,929	9,800			651,651
	<u>                    </u>	<u>                    </u>	(82,929)			<u>                    </u>
	<u>1,128,102</u>	<u>194,527</u>				<u>1,139,652</u>
<b>Net current assets/ (liabilities)</b>	<u>137,448</u>	<u>(189,716)</u>				<u>69,448</u>
<b>Total assets less current liabilities</b>	<u>4,565,948</u>	<u>215,387</u>				<u>4,903,051</u>

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

	The Group as at 30 September 2016 <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 1)</i>	Elite as at 31 March 2017 <i>HK\$'000</i> <i>(Audited)</i> <i>(Note 2)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 3)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 4)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 5)</i>	Pro forma Enlarged Group <i>HK\$'000</i> <i>(Unaudited)</i>
<b>Non-current liabilities</b>						
Provisions for long service payments	6,894	—				6,894
Obligations under finance leases	22,375	—				22,375
Bank loans	2,570,611	—	308,200			2,878,811
Deferred tax liabilities	<u>19,165</u>	<u>1,078</u>				<u>20,243</u>
	<u>2,619,045</u>	<u>1,078</u>				<u>2,928,323</u>
<b>Net assets</b>	<u>1,946,903</u>	<u>214,309</u>				<u>1,974,728</u>
<b>CAPITAL AND RESERVES</b>						
Share capital	101,893	2	(2)			101,893
Reserves	1,845,010	214,307	(214,307)		(1,200)	1,872,835
	<u>                    </u>	<u>                    </u>	<u>29,025</u>			<u>                    </u>
Total equity	<u>1,946,903</u>	<u>214,309</u>				<u>1,974,728</u>

**Notes to the Unaudited Pro Forma Financial Information:**

- The balances are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2016 as set out in the interim report of the Company for the six months ended 30 September 2016.
- The balances are extracted from the audited statement of financial position of Elite as at 31 March 2017 as set out in Appendix II to this circular.
- According to the Formal sale and purchase agreement (the “Formal Agreement”), the consideration for the Acquisition is HK\$375,000,000 which is subject to adjustments of net current asset value of Elite excluding the bank loans and the shareholders’ loans of Elite as at the completion date.

For the purposes of the preparation of the pro forma financial information of the Enlarged Group, the consideration for the Acquisition is assumed to be approximately HK\$378,061,000, which is based on consideration of HK\$375,000,000 after adjustment of Elite’s net current asset value (excluding the bank loans and the shareholders’ loans) of approximately HK\$3,061,000 as at 31 March 2017. With this premise, the pro forma financial information may be different from the actual amounts of assets and liabilities acquired.

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## APPENDIX IV      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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The Group intends to finance the Acquisition through internal resources and obtaining new financing through a proposed long-term term loan facility of approximately HK\$318,000,000 (the “Proposed Term Loan Facility”). As at the date of this circular, the Proposed Term Loan Facility was subject to formal approval procedures to be conducted by a bank and no loan agreement has been executed.

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

	<i>HK\$'000</i>
Total pro forma consideration for the Acquisition	378,061
Less: Pro forma shareholders’ loans assigned to the Group	(109,848)
Less: Pro forma bank loans repaid in full	<u>(82,929)</u>
Pro forma consideration for the Sale Shares	<u><u>185,284</u></u>

The major assets of Elite are investment properties representing commercial properties in Hong Kong. The Directors are of the opinion that the Acquisition does not constitute a business combination as defined in Hong Kong Financial Reporting Standard 3 (Revised) “Business Combinations”, therefore the Acquisition have been accounted for as an acquisition of assets and liabilities through acquisition of a subsidiary.

It is assumed that the fair value of the net identifiable assets as at the completion date is equal to the carrying amount of the net assets acquired as at 31 March 2017 as recorded by Elite. Excess of the net carrying value of the assets and liabilities of Elite over the consideration for the Sale Shares, amounting to approximately HK\$29,025,000 is recognised in the retained profits as the investment properties acquired are stated at their fair value as at 31 March 2017. Since the cost allocation to the individual identifiable assets and liabilities is not complete and the fair values of identifiable assets and liabilities of Elite acquired may change at the actual date of completion of the Acquisition, the amount allocated to investment properties recognised by the Group may be different.

4. The adjustment represents the reclassification of approximately HK\$800,000 from amount due from a related company of Elite to other receivables.
5. The adjustment represents estimated transaction costs of approximately HK\$1,200,000 to be incurred directly in connection with the Acquisition, which is recognised in the retained profits as investment properties acquired are stated at fair value as at 31 March 2017.
6. The Unaudited Pro Forma Financial Information does not take account of any trading results or other transactions of the Group subsequent to 30 September 2016 and of Elite subsequent to 31 March 2017.

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

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**B.    REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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



**國 衛 會 計 師 事 務 所 有 限 公 司  
Hodgson Impey Cheng Limited**

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

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

**TO THE DIRECTORS OF NATIONAL ELECTRONICS HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of National Electronics Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The pro forma financial information consists of the pro forma net asset statement as at 30 September 2016 and related notes as set out on pages IV-1 to IV-4 of the circular issued by the Company dated 9 June 2017 (the "Circular"). The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described on pages IV-1 to IV-4 of the Circular.

The pro forma financial information has been compiled by the directors to illustrate the impact of the acquisition of entire issued share capital in Elite Bright Asia Pacific Limited on the Group's financial position as at 30 September 2016 as if the transaction had taken place at 30 September 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the period ended 30 September 2016, on which no audit or review report has been published.

**Directors' Responsibility for the Pro Forma Financial Information**

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

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## APPENDIX IV      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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### **Our Independence and Quality Control**

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

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

### **Reporting Accountants' Responsibilities**

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

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

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

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2016 would have been as presented.

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

- The related pro forma adjustments give appropriate effect to those criteria; and



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

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- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

**Opinion**

In our opinion:

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

**HLB Hodgson Impey Cheng Limited**  
*Certified Public Accountants*

**Hui Chun Keung, David**  
Practising Certificate Number: P05447

Hong Kong, 9 June 2017



**PRUDENTIAL**  
Surveyors (Hong Kong) Limited  
測建行香港有限公司

www.iconcity.com.hk



9 June 2017

Our Ref: 17MV02285

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

Dear Sirs,

**Re: Valuation of Office Nos.1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 19, 20, 21, 22, 23, 25, 26, 27, 28, 29, 30, Lavatories, Lift Lobby & Corridor on 15th Floor, One Island South, No.2 Heung Yip Road, Hong Kong (the “Property”).**

In accordance with the instructions from Perfect Way Limited (the “Client”) for us to carry out a valuation of the captioned property (the “Property”), we confirm that we have carried out site inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 22 March 2017 (the “Date of Valuation”) for public circular purpose.

This letter, forming part of our valuation report, identifies the Property being valued, explains the basis and methodology of our valuation, and lists out the assumptions and the title investigation we have made in the course of our valuation, as well as the limiting conditions.

(i) **BASIS OF VALUATION**

In evaluating the Property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (2012 Edition) issued by the Hong Kong Institute of Surveyors.

In respect of the Property, the status of titles and grant of major certificates approvals and licences, in accordance with the information provided by the Client are set out in the notes of the respective valuation certificate.

Our valuation of a property is our opinion of its market value which we would define as intended to mean “the estimated amount for which an asset or liability 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”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as typical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase and without offset for any associated taxes.

**(ii) VALUATION METHODOLOGY**

In the course of our valuation, we have valued the Property using “Comparison Approach” as there are numbers of similar property sales in the area.

**(iii) VALUATION ASSUMPTIONS**

In valuing the Property interests, we have assumed that the Client has free and uninterrupted rights to use or to assign the Property interests for the whole of the unexpired term granted subject to payment of annual land use fee and that all requisite land premium/purchase consideration otherwise payable have been fully settled.

Our valuation has also been made on the assumption that the Property is to be sold in the open market without the benefit of a deferred terms contract, leaseback, joint venture, or any similar arrangement that would serve to affect their values. No account has been taken of any option or right of pre-emption concerning or affecting the sale of the Property and no forced sale situation in any manner is assumed in our valuation.

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

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation certificate.

**(iv) TITLE INVESTIGATION**

We have been shown copies of various documents relating to the Subject Property interests and, we have caused searches at the Land Registry. We have not, however, searched the original documents to verify ownership or to verify the existence of any lease amendments. All documents and leases have been used for reference only.

Moreover, we have not been provided with any legal opinion regarding to the titles to the Property interests.

**(v) LIMITING CONDITIONS**

The valuer, Mr. Leo S.D. Cheung, has inspected the Property on 6 April 2017. However, no structural survey has been made nor have any tests been carried out on any of the services provided in the Property. We are, therefore, not able to report that the Property is free from rot, infestation or any other structural defects. Yet, in the course of our inspection, we did not note any serious defects.

Moreover, we have not carried out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any redevelopment.

No detailed on-site measurements have been made during our inspection. Dimensions, measurements and areas included in the valuation certificate attached are based on information contained in the documents provided to us and are therefore approximations only.

Having reviewed all relevant documentation, we have relied to a considerable extent on the information provided by the Client and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, completion dates of buildings, particulars of occupancy, site and floor plans, site and floor areas and other relevant matters in the identification of the Property in which the Client has valid interest. We have not seen original planning consents and have assumed that the Property has been erected and are being occupied and used in accordance with such consents.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Client. We were also advised by the Client that no material facts have been omitted from the information supplied. We considered that we have been provided with sufficient information to reach an informed view and have no reason to suspect that any information has been withheld.

Neither the whole nor any part of this valuation report nor any reference thereto may be included in any published document, circular or statement, nor published in any way whatsoever without the prior written approval of Prudential Surveyors (Hong Kong) Limited as to the form and context in which it may appear.

In accordance with our standard practice, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. No liability to any third party will be accepted for the whole or any part of its contents.

(vi) **REMARKS**

We hereby confirm that we have neither present nor prospective interests in the Client, the Property and the value reported herein.

Unless otherwise stated, all money amounts are stated in Hong Kong Dollars.

We enclose herewith our valuation certificate.

Yours faithfully,

For and on behalf of

**PRUDENTIAL SURVEYORS (HONG KONG) LIMITED**

**Leo S.D. Cheung**

*BSc, MSc, MFin, EMBA*

*MRICS, MHKIS, RPS (GP)*

*Director*

Encl.

Remark: Mr. Leo S.D. Cheung is a Registered Professional Surveyor (GP) with over 15 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Mr. Cheung is a Professional Member of The Royal Institution of Chartered Surveyors and a Member of The Hong Kong Institute of Surveyors.

Valuation Certificate**Property held by the client in Hong Kong for investment**

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 22 March 2017</b>
Office Nos.1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 19, 20, 21, 22, 23, 25, 26, 27, 28, 29, 30, Lavatories, Lift Lobby & Corridor on 15th Floor, One Island South, No.2 Heung Yip Road, Hong Kong	The Property is the whole 15th floor (included a total of 27 units) of a 29-storey (ground, 1st to 31st floors with 4th, 14th, 24th floors omitted and refuge floor between 5th and 6th floors) commercial building, planned to have car parking spaces, loading areas and commercial units on ground floor, carparks on 1st to 5th floors, office units on floors above, with main lift lobby on ground floor entered from junction of Yip Fat Street and Heung Yip Road.	As at the date of valuation, Nos.16-20 and Nos.21-25 were vacant whilst the remaining nos. were leased to various tenants at an aggregated rent of HK\$503,121 per month with the latest tenancy due to expire on 14 March 2019, exclusive of management fee and market rate.	HK\$400,000,000.00
A total of 2,312/65,889 shares of and in The Remaining Portion of Aberdeen Inland Lot No.374	The building was completed in 2011.  The Property has a total gross floor area of 29,848 s.f.  The property is held under a Conditions of Sale No.UB10049 for a term of 75 years from 29 October 1971, renewable for a further term of 75 years.		

*Notes:*

- (1) Gross floor area is as depicted in developer's brochure.
- (2) Registered owner of the Property is Elite Bright Asia Pacific Limited by an Assignment dated 29 June 2011 vide Memorial No.11072202950109 for a consideration of HK\$188,043,000.00.
- (3) The Property is subject to a Mortgage dated 29 June 2011 in favour of Shanghai Commercial Bank Limited vide Memorial No.11072202950115 for all moneys in respect of general banking facilities. (For all units)
- (4) The Property falls within 'Other Specified Uses (Business(1))' zone in Aberdeen & Ap Lei Chau OZP (S/H15/31) dated 13 January 2017.
- (5) The address of the valuer, Mr. Leo S.D. Cheung, is 3/F Tung Hip Commercial Building, 244-252 Des Voeux Road Central, Hong Kong.

**1. INFORMATION REQUIRED UNDER SECTION 436 OF THE COMPANIES ORDINANCE**

The financial information contained in Appendix II of this Circular does not constitute Elite's statutory annual financial statements for any of the years ended 31 March 2015, 2016 and 2017 but, in respect of the years ended 31 March 2015 and 2016, is derived from those financial statements.

The unaudited pro-forma financial information set out in Appendix IV of this Circular does not constitute Elite's statutory annual financial statements for the year ended 31 March 2017.

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

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

Elite's auditor has reported on the financial statements for the year ended 31 March 2015 and 2016. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance. Elite's auditor has yet to report on the financial statements for the year ended 31 March 2017.

**2. RESPONSIBILITY STATEMENT**

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

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

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

provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

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

Name of director	Capacity	Personal interests	Corporate interests	Other interests	Total interests	Percentage of the issued share capital of the Company
Mr. Jimmy Lee Yuen Ching	Chairman	—	250,813,276 <sub>(L)</sub> (note f)	285,701,618 (note a)	536,514,894	52.744%
Mr. Loewe Lee Bon Chi	Managing Director	—	—	315,421,618 (notes a, b)	315,421,618	31.009%
Mr. James Lee Yuen Kui	Managing Director	6,534	—	250,813,276 <sub>(L)</sub> (note c) 250,813,276 <sub>(S)</sub> (note f)	250,819,810 <sub>(L)</sub>	24.658%
Mr. Edward Lee Yuen Cheor	Director	—	—	250,813,276 <sub>(L)</sub> (note c) 250,813,276 <sub>(S)</sub> (note f)	250,813,276	24.657%
Mr. Ricky Wai Kwong Yuen	Director	—	40,994,543 (note d)	—	40,994,543	4.030%
Dr. Samson Sun, M.B.E., J.P.	Director	—	5,817,864 (note e)	—	5,817,864	0.572%
Mr. William Chan Chak Cheung	Director	330,000	—	—	330,000	0.032%

(L) denotes the person's: long position

(S) denotes the person's: short position

(ii) *Share options*

Name of Director	Capacity	Number of options held	Number of underlying shares	Percentage of the issued share capital of the Company
Mr. Loewe Lee Bon Chi	Managing Director (Beneficial owner)	16,720,000	16,720,000	1.644%
Mr. Chan Kwok Wai	Independent Non-executive Director (Beneficial owner)	330,000	330,000	0.032%



*Notes:*

- (a) 265,701,618 shares are part of the property of a discretionary trust of which Mr. Jimmy Lee Yuen Ching and his family members and Mr. Loewe Lee Bon Chi's family members are named beneficiaries.
- (b) 33,000,000 shares are held by Mr. Loewe Lee Bon Chi's family member.
- (c) 250,813,276 shares (the "**Discretionary Trust Shares**") are part of the property of a discretionary trust of which each of Mr. James Lee Yuen Kui and Mr. Edward Lee Yuen Cheor is named beneficiary.
- (d) 40,994,543 shares are held by two companies controlled by Mr. Ricky Wai Kwong Yuen.
- (e) 5,817,864 shares are held by a company controlled by Dr. Samson Sun, M.B.E., J.P..
- (f) Pursuant to an option agreement dated 21 April 2017, a call option was granted to a company wholly owned by Mr. Jimmy Lee Yuen Ching to acquire the Discretionary Trust Shares.

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

As at the Latest Practicable Date, none of the Directors had any interest, either direct or indirect, in any assets which have been, since 31 March 2017 (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 subsisting 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 17,050,000, representing 1.68% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's Shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's Shareholders. Options granted to independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's Shareholders.

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

The following table disclosed movements in the Company's share options during the six months ended 31 March 2017:

Name of director	Date of grant	Exercise period	Exercise price per share	Balance at 01.10.2016	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Balance at 31.03.2017
Mr. Loewe Lee Bon Chi	18.3.2010	18.3.2010- 17.3.2018	0.493 (note)	10,120,000	—	—	—	—	10,120,000 (note)
	23.3.2011	23.3.2011- 22.3.2018	0.691 (note)	6,600,000	—	—	—	—	6,600,000 (note)
Mr. Chan Kwok Wai	23.3.2011	23.3.2011- 22.3.2018	0.691 (note)	330,000	—	—	—	—	330,000 (note)

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

**(b) Interests of Shareholders**

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

#### 4. SERVICE CONTRACTS

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

#### 5. LITIGATION

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

#### 6. COMPETING INTERESTS

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

#### 7. EXPERTS AND CONSENTS

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

(a) Name	(b) Qualification
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Prudential Surveyors (Hong Kong) Limited	Professional Surveyors and Valuers

As at the Latest Practicable Date, none of HLB and Prudential has 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. Each of HLB and Prudential has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter(s), report(s), valuation certificate(s) and/or references to its name in the form and context in which they are included.

As at the Latest Practicable Date, none of HLB and Prudential had any direct or indirect interests in any assets which have been, since 31 March 2017 (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.

## 8. MATERIAL CONTRACTS

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

- (a) a sale and purchase agreement dated 15 December 2015 entered into between Tania Investments Limited, a wholly-owned subsidiary of the Company, and Malibu Development Holdings Limited in respect of the sale and purchase of shares, representing 50% of the issued share capital of the Tania Investments Holdings Limited for a consideration of 50% of the aggregate of HK\$1,582,828,282 and the adjusted net asset value of Tania Investments Holdings Limited and Tania Development Limited as at 29 January 2016 as more particularly set out in the announcement of the Company dated 15 December 2015;
- (b) the memorandum of understanding dated 22 March 2016 entered into between Baldric Investments Limited and Cornes Properties Limited in relation to the acquisition of 10,000 ordinary shares of Bentley Investments Limited, representing its entire issued share capital and the remaining outstanding amount (if any) of the loan owing by Bentley Investments Limited to Cornes Properties Limited immediately before 25 July 2016 for a consideration of HK\$672,016,114.52, subject to adjustments (the “**BIL Acquisition**”) as more particularly set out in the announcement of the Company dated 22 March 2016;
- (c) the formal sale and purchase agreement dated 25 April 2016 in relation to the BIL Acquisition as more particularly set out in the announcement of the Company dated 25 April 2016 and the circular of the Company dated 24 June 2016;
- (d) the preliminary sale and purchase agreement dated 17 February 2017 entered into between Terence Limited (a wholly-owned subsidiary of the Company), an independent third party and Centaline Property Agency Limited in relation to the sale and purchase of House 15 including its house unit, external walls, staircase to the basement floor, staircase at main roof, the 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 as more particularly set out in the announcement of the Company dated 17 February 2017;
- (e) the Preliminary Agreement; and
- (f) the Formal Agreement.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company’s principal place of business at Suite 3201, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong during normal business on any weekday (except public holidays) from the date of this Circular up to and including 23 June 2017:

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

- (b) the annual reports of the Company of each of the two financial years immediately preceding the issue of this circular;
- (c) the accountants' report on Elite prepared by HLB, the text of which is set out in Appendix II to this Circular;
- (d) the report on unaudited pro forma financial information of the Enlarged Group issued by HLB, the text of which is set out in Appendix IV to this Circular;
- (e) the valuation report of the Property prepared by Prudential, the text of which is set out in Appendix V to this Circular;
- (f) the written consents given by the experts referred to in the paragraph headed "Experts and Consents" in this appendix;
- (g) the material contracts referred to in this appendix; and
- (h) this Circular.

#### **10. MISCELLANEOUS**

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