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NATIONAL ELECTRONICS HOLDINGS LIMITED

(incorporated in the Bermuda with limited liability)

(Stock Code: 213)

MAJOR TRANSACTION DISPOSAL OF 50% IN PROPERTY COMPANY AND FORMATION OF JOINT VENTURE

On 15 December 2015, the Seller, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which the Seller agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing 50% of the issued share capital of the Property Company. The Consideration for the Disposal shall be 50% of the aggregate of (i) the Agreed Lot Valuation of HK\$1,582,828,282 and (ii) the Completion NAV. Upon Completion, the Property Company will cease to be a subsidiary of the Company and a joint venture will be formed between the Seller and the Purchaser on a 50:50 basis pursuant to the Shareholders Agreement.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Transactions exceeds 25% but is less than 75%, the Transactions constitute major transaction for the Company and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company has obtained a written approval from a closely allied group of Shareholders which held 536,514,894 Shares as at the date of this announcement (representing approximately 52.27% of the issued share capital of the Company) approving the Transactions.

A circular containing, among other things, further details of the Transactions will be despatched to the Shareholders within 15 business days after the publication of this announcement, i.e. on or before 7 January 2016.

Shareholders and potential investors should note that the Transactions are subject to a number of Conditions which may or may not be fulfilled. Shareholders and potential investors are reminded to exercise cautions when dealing in the securities of the Company.

THE DISPOSAL

On 15 December 2015, the Seller, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which the Seller agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing 50% of the issued share capital of the Property Company. Upon Completion, the Property Company will cease to be a subsidiary of the Company and a joint venture will be formed between the Seller and the Purchaser on a 50:50 basis pursuant to the Shareholders Agreement.

The Disposal Agreement

Date

15 December 2015

Parties

- (i) the Seller as seller; and
- (ii) the Purchaser as purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons.

Assets to be disposed of

The Sale Shares, representing 50% of the issued share capital of the Property Company.

The Property is the only major asset of the Property Subsidiary, which is the sole subsidiary of the Property Company.

Consideration

The Consideration for the Disposal shall be 50% of the aggregate of:

- (a) HK\$1,582,828,282, being the value attributed to the Lot as agreed between the parties (the "**Agreed Lot Valuation**"); and
- (b) the adjusted net asset value of the Property Group as at Completion Date (adjusted to exclude the book cost related to the Lot and the outstanding liability of the Shareholder's Loan as at the Completion Date) (the "**Completion NAV**").

The Completion NAV as contemplated under the Disposal Agreement is estimated to be a net liability amount of approximately HK\$845,000,000 (the “**Pro-forma Completion NAV**”).

Payment

The Consideration shall be paid by the Purchaser in cash and in US\$ equivalent of the below amount according to the following schedule:

- (a) on the date of the Disposal Agreement, a sum of US\$2,373,455.86, which the parties agree to be the US\$ equivalent of HK\$18,395,707 (the “**Deposit**”);
- (b) at Completion, an amount equivalent to A, where

A = (80% x Estimated Consideration), minus Deposit

Estimated Consideration = 50% of the aggregate of (i) the Agreed Lot Valuation and (ii) the Pro-forma Completion NAV as estimated by the Seller in accordance with the terms of the Disposal Agreement (the “**Estimated Consideration**”)

The Seller and the Purchaser shall agree on the actual amount of the Completion NAV with reference to a Completion NAV statement to be prepared in accordance with the terms of the Disposal Agreement as soon as practicable after Completion, such that:

- (i) if the Completion NAV is more than the Pro-forma Completion NAV as comprised in the Estimated Consideration, then 50% of such difference shall be added to the payment of the remaining balance of the Consideration as mentioned in item (c) below; and
 - (ii) if the Completion NAV is less than the Pro-forma Completion NAV as comprised in the Estimated Consideration, then 50% of such difference shall be deducted from the payment of the remaining balance of the Consideration as mentioned in item (c) below.
- (c) on 29 July 2016, the remaining balance of the Consideration. Payment of such remaining balance shall be secured by a share charge on 20% of the Sales Shares (being 10 issued shares in the Property Company) executed by the Purchaser in favour of the Seller upon Completion.

The Deposit is refundable if Completion does not take place by the Completion Date, other than by virtue of any breach of the Disposal Agreement by the Purchaser.

The Consideration was determined after arm's length negotiations between the Seller and the Purchaser with reference to the calculation method and factors mentioned in paragraph headed "Consideration" above. The Agreed Lot Valuation was determined with reference to the market valuation from an external independent professional valuer. The Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Other arrangements at Completion

It is estimated that after the fulfilment of Condition (d) as mentioned under the paragraph headed "Conditions" below and as at Completion Date, the outstanding amount of the Shareholder's Loan will stand at approximately HK\$113,000,000. The Seller and the Purchaser accept and acknowledge that instead of assigning 50% of the Shareholder's Loan by the Seller in favour of the Purchaser, 50% of such Shareholder's Loan shall be repaid at Completion using the amount payable by the Purchaser to the Seller at Completion (i.e. the amount A as mentioned in item (b) under the paragraph headed "Payment" above), such that immediately after Completion, the Property Company shall owe each of the Seller and the Purchaser an equal amount in shareholders' loan.

Project Management Agreement

The Seller shall ensure Tania Limited, a wholly-owned subsidiary of the Company, as project manager, and the Property Subsidiary, as employer, to enter into a project management agreement upon Completion, pursuant to which Tania Limited shall provide project management services to the Property Subsidiary from Completion.

Conditions

Completion is subject to the following Conditions:

- (a) the Property Subsidiary being able to show and give a good title to the Property in accordance with applicable laws subject to the Purchaser's acceptance of the Property (as shown by the title deeds and any instrument available in public registries) as at the date of the Disposal Agreement save and except for requisitions raised but not satisfied;
- (b) the Property being free from all encumbrances (except those referred to in the title deeds and any instrument available in public registries and the encumbrances created under certain bank security documents);
- (c) there being no breach of any of the fundamental warranties under the Disposal Agreement;

- (d) the Seller having procured the Property Subsidiary to arrange additional bank financing, of which HK\$202,000,000 shall be used for partial repayment of Shareholder's Loan; and
- (e) the approval of the Transactions by the Shareholders as required by the Listing Rules having been obtained.

Completion

Completion shall take place on the Completion Date.

INFORMATION ON THE PROPERTY GROUP

The Property Company is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company as at the date of this announcement. The principal business activity of the Property Company is investment holding.

The Property Subsidiary is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Property Company as at the date of this announcement. The principal business activity of the Property Subsidiary is property development and investment.

The cleared site value of the Lot from an external independent professional valuer is approximately HK\$1,600,000,000.

The consolidated net liabilities of the Property Company as at 31 March 2015 (based on the unaudited consolidated accounts of the Property Company) and as at 30 November 2015 (based on the unaudited consolidated management accounts of the Property Company) were approximately HK\$2,998,000 and HK\$3,015,000 respectively. The unaudited consolidated net losses (before taxation) of the Property Company for the year ended 31 March 2014 and 2015 were approximately HK\$22,000 and HK\$44,000 respectively and the unaudited consolidated net losses (before taxation) of the Property Company for the eight months ended 30 November 2015 were approximately HK\$17,000. The unaudited consolidated net losses (after taxation) of the Property Company for the year ended 31 March 2014 and 2015 were approximately HK\$22,000 and HK\$44,000 respectively and the unaudited consolidated net losses (after taxation) of the Property Company for the eight months ended 30 November 2015 were approximately HK\$17,000.

USE OF PROCEEDS

Based on the estimated amount of the Consideration and the unaudited consolidated net asset value of the Property Company as at 30 November 2015, the Company estimates the net potential gain on the Disposal to be approximately HK\$285,000,000. The sale proceeds are intended for general working capital purpose.

Upon Completion, the Property Company will cease to be a subsidiary of the Company and the accounts of the Property Company will no longer be consolidated in the financial statements of the Company thereafter. The Property Company will be accounted for as a jointly controlled entity of the Company.

THE JV FORMATION

Upon Completion, the Property Company will become a joint venture of the Seller and the Purchaser on a 50:50 basis. The Seller, the Purchaser and the Property Company will enter into the Shareholders Agreement with respect to the Property Company at Completion.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, upon Completion, save for being the 50% shareholder of the Property Company (which will not be accounted for as a subsidiary of the Company), the Purchaser and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons.

Business

The Property Company will continue to act as the investment holding company of the Property Subsidiary. The Property Subsidiary, as the owner of the Lot, shall act as the vehicle implementing the property development project on the Lot, including the completion of the construction and fitting out of the residential units on the Lot, obtaining of the relevant governmental approvals for the property development project, marketing and sales of the completed residential units, and the arrangement of further financing for the property development project.

Funding

In case the property development project on the Lot requires further funding and such funding need cannot be satisfied by the internal resources or external facilities of the Property Group, each of the Seller and the Purchaser shall provide funding of an amount up to HK\$50,000,000 to the Property Group during the term of the Shareholder's Agreement.

Board composition

The board of each of the Property Company and the Property Subsidiary will comprise four directors and each of the Seller and Purchaser shall nominate two directors. The chairman of the board shall be appointed by the Seller but he/she shall not have a second or casting vote in board meetings.

INFORMATION ON THE GROUP

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

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands and shall be principally engaged in holding the Sale Shares.

REASONS FOR AND BENEFIT OF THE TRANSACTIONS

The Directors consider that the Transactions provide a good opportunity for the Group to realise its investment and enhance the liquidity of the Group, as well as providing the Group with a valuable opportunity to co-invest with an investment partner on the development of the Property.

The Board concludes that the terms and conditions of the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Transactions exceeds 25% but is less than 75%, the Transactions constitute major transaction for the Company and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

The Company has a closely allied group of Shareholders which together hold approximately 52.27% of the total issued share capital of the Company as at the date of this announcement. Pursuant to Rule 14.44 of the Listing Rules, the Company has obtained a written approval from Brentford Investments Limited which held 260,813,276 Shares as at the date of this announcement (representing approximately 25.41% of the issued share capital of the Company), and from Fenmore Investments Limited which held 275,701,618 Shares as at the date of this announcement (representing approximately 26.86% of the issued share capital of the Company), for the approval of the Transactions. The said 260,813,276 Shares held by Brentford

Investments Limited are part of the property of a discretionary trust of which each of Messrs. James Lee Yuen Kui and Edward Lee Yuen Cheor is named beneficiary. The said 275,701,618 Shares held by Fenmore Investments Limited are part of the property of a discretionary trust of which Mr. Jimmy Lee Yuen Ching and his family members and Mr. Loewe Lee Bon Chi's family members are named beneficiaries. Messrs. James Lee Yuen Kui and Edward Lee Yuen Cheor are brothers and they are cousins of Mr. Jimmy Lee Yuen Ching, who is the father of Mr. Loewe Lee Bon Chi. As such, no general meeting will be convened by the Company to approve such matters.

A circular containing, among other things, further details of the Transactions will be despatched to the Shareholders within 15 business days after the publication of this announcement, i.e. on or before 7 January 2016.

Shareholders and potential investors should note that the Transactions are subject to a number of Conditions which may or may not be fulfilled. Shareholders and potential investors are reminded to exercise cautions when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Agreed Lot Valuation”	HK\$1,582,828,282, being the value attributed to the Lot as agreed between the parties
“Board”	the board of Directors
“Business Day”	a day on which licensed banks operating in Hong Kong, British Virgin Islands and Singapore are generally open for ordinary business and dealings in inter-bank deposits and payments can take place (excluding Saturdays, Sundays, public holidays and any day on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m.)
“Company”	National Electronics Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement

“Completion Date”	29 January 2016 or any other date agreed by the Seller and the Purchaser in writing
“Completion NAV”	the adjusted net asset value of the Property Group as at Completion Date (adjusted to exclude the book cost related to the Lot and the outstanding liability of the Shareholder’s Loan as at the Completion Date). For the avoidance of doubt, the Completion NAV shall be a negative figure if it is a net deficit
“Conditions”	conditions precedent to the Completion as set out in the Disposal Agreement
“connected person(s)”, “percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration payable by the Purchaser for the Disposal, details of which are set out in the paragraph headed “Consideration” in this announcement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares as described in this announcement
“Disposal Agreement”	the sale and purchase agreement dated 15 December 2015 between the Seller and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“JV Formation”	the formation of joint venture, namely the Property Company, by the Seller and the Purchaser on a 50:50 basis upon Completion pursuant to the Shareholders Agreement
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

“Lot”	the piece or parcel of ground situate at No. 45 Tai Tam Road, Hong Kong and registered in the Land Registry as Rural Building Lot No. 442
“Pro-forma Completion NAV”	the Completion NAV as contemplated under the Disposal Agreement, which is estimated to be a net liability amount of approximately HK\$845,000,000
“Property”	the Lot together with all messuages, erections and buildings erected or to be erected thereon
“Property Company”	Tania Investments Holdings Limited, a company incorporated in the British Virgin Islands
“Property Group”	the Property Company and the Property Subsidiary
“Property Subsidiary”	Tania Development Limited, a company incorporated in the British Virgin Islands
“Purchaser”	Malibu Development Holdings Limited, a company incorporated in the British Virgin Islands
“Sale Shares”	50 issued shares in the Property Company, representing 50% of all the issued shares of the Property Company
“Seller”	Tania Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Share(s)”	ordinary shares in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholder’s Loan”	all loans and other amounts (whether principal, interest or otherwise) owing, from time to time, by the Property Company to the Seller
“Shareholders Agreement”	the shareholders agreement to be entered into between the Seller, the Purchaser and the Property Company with respect to the Property Company at Completion, the major terms of which are set out in the paragraph headed “JV Formation” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the Disposal, the JV Formation and the transactions contemplated thereby

“US\$” United States dollars, the lawful currency of the United States of America

“%” per cent

By Order of the Board of
National Electronics Holdings Limited
Lee Yuen Ching Jimmy
Chairman

Hong Kong, 15 December 2015

As at the date of this announcement, the Executive Directors are Mr. Lee Yuen Ching, Jimmy, Mr. Lee Bon Chi, Loewe, Mr. Lee Yuen Kui, James, Mr. Lee Yuen Cheor, Edward and Mr. Wai Kwong Yuen, Ricky, the Non-executive Director is Ms. Lee Yuen Yu, Dorathy and the Independent Non-executive Directors are Dr. Samson Sun, M.B.E., J.P., Mr. Chan Chak Cheung, William and Mr. Chan Kwok Wai.