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**NATIONAL ELECTRONICS HOLDINGS LIMITED**  
*(incorporated in Bermuda with limited liability)*  
**(Stock Code: 213)**

**MAJOR TRANSACTION**  
**SALE AND PURCHASE AGREEMENT IN RELATION**  
**TO A MAJOR DISPOSAL**

**THE DISPOSAL**

Reference is made to the announcement of the Company dated 19 December 2017 in relation to the MOA. The Board is pleased to announce that pursuant to the MOA, on 25 January 2018, the Vendor, a wholly-owned subsidiary of the Company, entered into the SPA with the Purchaser, pursuant to which the Vendor agreed to sell and assign, and the Purchaser agreed to purchase and take up the assignment of the benefit of, the Sale Shares and the Debt.

Subject to the Adjustments, the Consideration payable by the Purchaser to the Vendor for the Disposal is HK\$500,000,000.

**LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal is higher than 25% but less than 75%, the Disposal 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 a closely allied group of shareholders which together hold approximately 50.86% 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 will obtain a written approval from such closely allied group of shareholders, for the approval of the Disposal. As such, no general meeting will be convened by the Company to approve the Disposal.

A circular containing, among other things, further details on the Disposal and valuation report for the Property will be despatched to the Shareholders on or before 20 February 2018.

**As Completion of the Disposal is subject to the fulfillment of the conditions precedent under the SPA, the Disposal 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.**

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 19 December 2017 in relation to the MOA. The Board is pleased to announce that pursuant to the MOA, on 25 January 2018, the Vendor, a wholly-owned subsidiary of the Company, entered into the SPA with the Purchaser, pursuant to which the Vendor agreed to sell and assign, and the Purchaser agreed to purchase and take up the assignment of the benefit of, the Sale Shares and the Debt.

To the best knowledge of the Directors having made all reasonable enquiries, the Purchaser and its ultimate shareholder(s) are third parties independent of the Company and its connected persons.

## **THE SPA**

### **Assets to be disposed of**

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

PHL owns all of the issued shares of PWL, PWL in turn owns all of the issued shares of Elite, and Elite in turn owns the entire interest in the Property. The Property is presently subject to a mortgage (the “**Mortgage**”) in favour of Nanyang Commercial Bank, Limited (“**NCB**”) dated 3 October 2017 which will be released upon Completion.

The Property shall be sold on an “as-is” basis, subject to and with the benefit of the existing tenancies and vacant possession as at Completion.

### **Consideration and payment terms**

The “**Consideration**” shall be an amount equal to the Initial Consideration as adjusted by the Adjustments.

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

- (a) an amount equal to HK\$500,000,000;

- (b) plus the amount of the Net Asset Value as set out in the Agreed Pro Forma Completion Accounts (if it is a positive amount) or minus the absolute value of the amount of the Net Asset Value as set out in the Agreed Pro Forma Completion Accounts (if it is a negative amount).

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

- (a) an initial deposit (the “**Initial Deposit**”) in the sum of HK\$20,000,000 which has been paid by the Purchaser to the Vendor’s solicitors on the date of the MOA shall be released by the Vendor’s solicitors to the Vendor upon signing of the SPA as deposit and part payment of the Initial Consideration;
- (b) a further deposit (the “**Further Deposit**”) in the sum of HK\$30,000,000 (which, together with the Initial Deposit, shall represent 10% of the Initial Consideration and collectively referred to as the “**Deposits**”) has been paid by the Purchaser to the Vendor’s solicitors upon the signing of the SPA;
- (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 NCB for the Vendor to procure and effect the full release and discharge of the Security Document(s) including the principal, all further interest, prepayment fees, break funding fees and costs and expenses incurred by NCB for such release and discharge (such total amount being the “**NCB Redemption Amount**”), as notified, directed and instructed by the Vendor to the Purchaser in writing no later than three (3) Business Days before Completion, shall be made payable directly to NCB; and
  - (ii) a sum equal to the balance of the Completion Payment (being the balance remaining after deducting the NCB Redemption Amount from the Completion Payment) shall be paid by the Purchaser to the Vendor’s solicitors; and
- (d) an amount in respect of the adjustment of the Initial Consideration shall be paid by the Purchaser or the Vendor (as the case may be) in accordance with the Adjustments.

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.

### **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 Asset Value (determined by reference to the Completion Accounts) is more than the Net Asset Value (as set out in the Agreed Pro Forma Completion Accounts) shall be added to the Initial Consideration; and
  - (ii) an amount (if any) by which the Net Asset Value (determined by reference to the Completion Accounts) is less than the Net Asset Value (as set out in the Agreed Pro Forma Completion Accounts) shall be deducted from the Initial Consideration.
- (b) Within five (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 Vendor the amount of the increase; and
  - (ii) if the Initial Consideration is reduced pursuant to paragraph (a)(ii) above, the Vendor shall pay to the Purchaser the amount of the reduction.

### **Conditions precedent and warranties**

Completion is conditional upon the following conditions being satisfied (or waived by the Purchaser in accordance with the SPA) on or before the Completion Date:

- (a) Elite being able to show and give a good title to the Property in accordance with sections 13 and 13A of the CPO; and
- (b) certain specified warranties given by the Vendor to the Purchaser set out in the SPA 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.

## **Completion**

Subject to the satisfaction (or waiver, if applicable) of the conditions precedent set out above, Completion shall take place in Macau (or at such other place as the Vendor and the Purchaser may mutually agree in writing) on the Completion Date. Upon Completion, the Purchaser and/or its nominee(s) will become the legal and beneficial owner of the Sale Shares and the Debt (free from all encumbrances).

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

Neither the Purchaser nor the Vendor is obliged to perform any obligations under the SPA unless the other party complies fully with the requirements in respect of Completion set out in the SPA. If the respective obligations of the Purchaser and the Vendor are not complied with on Completion Date, the Purchaser or the Vendor may, by notice to the other party who is unable or unwilling to comply with its obligations under the SPA: (i) postpone Completion to a date (being a business day) falling not more than ten (10) Business Days after the Completion Date; (ii) proceed to Completion as far as practicable; or (iii) terminate the SPA (the “**Termination due to Non-Compliance**”).

## **Termination and refund/forfeiture of the Deposits**

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

- (i) if the Purchaser elects to terminate the SPA due to the non-fulfilment of conditions precedent, then the Vendor shall, within five (5) Business Days upon demand in writing by the Purchaser, return the Deposits paid by the Purchaser without any interest or cost and: (i) if such non-fulfilment is due to the Vendor’s failure to use all reasonable endeavours to procure the fulfilment of the conditions precedent on or before the Completion Date, then such termination shall not affect or prejudice the then accrued rights and obligations of the Purchaser; (ii) if such non-fulfilment is not due to the Vendor’s failure to use all reasonable endeavours to procure the fulfilment of the conditions precedent on or before the Completion Date, then upon such termination, neither the Purchaser nor the Vendor shall have any further claim or cause of action against each other;
- (ii) if the Vendor elects to terminate the SPA in accordance with Termination due to Non-Compliance (and the Vendor not being unable or unwilling to perform any of its obligations in respect of Completion as set out in the SPA ), then the Deposits shall be forfeited to the Vendor as damages on the Completion Date; and

(iii) if the Purchaser elects to terminate the SPA in accordance with Termination due to Non-Compliance (and the Purchaser not being unable to or unwilling to perform any of its obligations in respect of Completion as set out in the SPA), then the Vendor shall, within five (5) Business Days, return the Deposits paid by the Purchaser without any interest or cost.

## **INFORMATION OF TARGET GROUP COMPANIES AND THE PROPERTY**

Set out below is the unaudited financial information of the Target Group Companies for the financial years ended 31 March 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 2016 <i>(Unaudited)</i> HK\$'000</b>	<b>For the financial year ended 31 March 2017 <i>(Unaudited)</i> HK\$'000</b>
Revenue	5,596	5,636
Net (loss)/profit before taxation	(3,916)	68,350
Net (loss)/profit after taxation	(4,274)	67,630

The unaudited consolidated total assets and the net asset value of the Target Group Companies as at 31 December 2017 were approximately HK\$432,170,000 and HK\$52,461,000, respectively.

The Property is a commercial property.

## **FINANCIAL EFFECTS OF THE DISPOSAL**

It is expected that the Group will record a gain of approximately HK\$64,964,000 on completion of the Disposal after taking into account of the related expenses of approximately HK\$6,000,000 payable by the Group in connection with the Disposal. Such gain is calculated by reference to the unaudited consolidated net asset value of the Target Group Companies as at 31 December 2017.

Upon Completion, all of the Target Group Companies will cease to be subsidiaries of the Company and the accounts of each of the Target Group Companies and the Property will no longer be consolidated into the financial statements of the Company thereafter.

## **USE OF PROCEEDS**

The Group currently intends to use the net proceeds from the Disposal for general working capital purposes.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

Having regard to the prevailing market conditions, the Directors consider that the Disposal provides a good opportunity for the Group to realise its investment and enhance the liquidity of the Group.

The Directors consider that the Disposal is on normal commercial terms and that such terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **INFORMATION OF THE COMPANY, THE PURCHASER AND THE VENDOR**

### **Information of the Company**

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

### **Information of the Purchaser**

The Purchaser is principally engaged in a range of securities trading activities and provision of investment services.

### **Information of the Vendor**

The Vendor is an investment holding company.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal is higher than 25% but less than 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no shareholders of the Company or any of their respective associates have any material interest in the Disposal. 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 50.86 % 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 will obtain a written approval from Americus Holdings Limited which held 250,813,276 shares in the Company as at the date of this announcement (representing approximately 24.70% of the issued share capital of the Company), and from Fenmore Investments Limited which held 265,701,618 shares in the Company as at the date of this announcement (representing approximately 26.16% of the issued share capital of the Company), for the approval of the Disposal. Americus Holdings Limited is a company wholly owned by Mr. Lee Yuen Ching, Jimmy. The said 265,701,618 shares held by Fenmore Investments Limited are part of the property of a discretionary trust of which Mr. Lee Yuen Ching, Jimmy and his family members including Mr. Lee Bon Chi, Loewe are named beneficiaries. Mr. Lee Yuen Ching, Jimmy is the father of Mr. Lee Bon Chi, Loewe. As such, no general meeting will be convened by the Company to approve such matters.

A circular containing, among other things, further details on the Disposal and valuation report for the Property will be despatched to the Shareholders on or before 20 February 2018.

## **GENERAL**

**As Completion of the Disposal is subject to the fulfillment of the conditions precedent under the SPA, the Disposal 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.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meanings given to them as below:

“Adjustments” has the meaning as defined in the “Adjustment of Initial Consideration” section



“Agreed Pro Forma Completion Accounts”	the pro forma statement of financial positions of the Target Group Companies (on consolidation basis together with consolidation adjustments) and each of the Target Group Companies as at close of business on the Completion Date procured to be prepared by the Vendor on or before seven (7) Business Days prior to (but excluding) the Completion Date and as agreed by the Purchaser
“Board”	board of Directors
“Business Day”	a day other than a Saturday or Sunday or days on which a typhoon signal no.8 or above or black rainstorm signal is in force in Hong Kong at 10:00 a.m., on which banks are open in Hong Kong to the general public for business
“Company”	National Electronics Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Disposal in accordance with the terms of the SPA
“Completion Accounts”	the statement of financial position as at the close of business on the Completion Date for the Target Group Companies (on consolidation basis together with consolidation adjustments) and each of the Target Group Companies procured to be prepared by the Vendor in accordance with the relevant requirements thereof set out in the SPA
“Completion Date”	16 March 2018 or such other date as the Vendor and the Purchaser may agree in writing on which Completion takes place
“Completion Payment”	has the meaning as defined in the “Consideration and payment terms” section
“Consideration”	has the meaning as defined in the “Consideration and payment terms” section
“CPO”	Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong)

“Debt”	all the shareholders’ loans owed by PHL to the Vendor as at Completion
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Debt by the Vendor in accordance with the terms of the SPA
“Deposits”	collectively, the Initial Deposit and the Further Deposit
“Elite”	Elite Bright Asia Pacific Limited, a company incorporated under the laws of Hong Kong
“Existing Bank Loan”	the facilities granted by the NCB as lender to National Electronics (Consolidated) Limited, a wholly-owned subsidiary of the Company, as borrower pursuant to the facility letter in respect thereof dated 28 September 2017 and, where the context shall so require, the outstanding amount of the principal sum and any interest accrued thereon
“Further Deposit”	has the meaning as defined in the “Consideration and payment terms” section
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Consideration”	has the meaning as defined in the “Consideration and payment terms” section
“Initial Deposit”	has the meaning as defined in the “Consideration and payment terms” section
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mortgage”	has the meaning as defined in the “Assets to be disposed of” section
“MOA”	the memorandum of agreement dated 18 December 2017 entered into between the Purchaser and the Vendor in relation to the Disposal
“NCB”	Nanyang Commercial Bank, Limited

“NCB Redemption Amount”	has the meaning as defined in the “Consideration and payment terms” section
“Net Asset Value”	the total current assets of the Target Group Companies (other than the value of the Property and any deferred tax assets) minus total current liabilities of the Target Group Companies (other than the liability in respect of the Existing Bank Loan, the Debt, any inter-company loan(s) between or among any of the Target Group Companies and deferred taxation liabilities) as at close of business on Completion Date as shown in the Agreed Pro Forma Completion Accounts or the Completion Accounts (as the case may be)
“PHL”	Purplefield Holdings Limited, a company incorporated under the laws of British Virgin Islands and which is wholly-owned by the Vendor as at the date of this announcement
“PWL”	Perfect Way Limited, a company incorporated under the laws of Hong Kong and which is a wholly-owned subsidiary of the Vendor as at the date of this announcement
“Property”	the 2,312 equal undivided 65,889th parts or shares of and in all that piece or parcel of land, and of and in the messuages erections and buildings on the land now known as One Island South, No.2 Heung Yip Road, Hong Kong, together with the sole and exclusive right to the use occupation and enjoyment of all those offices 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 and 30 and the lavatories and lift lobby and corridor on the 15th floor of One Island South
“Purchaser”	a company the shares of which are listed on the Main Board of the Stock Exchange
“Sale Shares”	100 ordinary shares of PHL, being the entire issued share capital of PHL as at the date of this announcement
“Security Document(s)”	all those security document(s) which were provided as security for the Existing Bank Loan, including the Mortgage

“SPA”	the formal sale and purchase agreement dated 25 January 2018 entered into between the Vendor and the Purchaser in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group Companies”	collectively, PHL, PWL and Elite
“Termination due to Non-Compliance”	has the meaning as defined in the “Completion” section
“Vendor”	Pioneer Marvel Global Limited, a company incorporated under the laws of British Virgin Islands and which is a wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 26 January 2018

*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.*