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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 THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF AND RELATED SHAREHOLDER'S LOAN OWING BY HGL INVESTMENT LIMITED

THE DISPOSAL

The Board is pleased to announce that on 27 July 2023 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Guarantor (a direct 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 Sale Shares and the benefit of the Sale Loan for an initial consideration of HK\$266,000,000 (subject to the adjustments), and the Guarantor agreed to guarantee the Vendor's post-Completion obligations under the SPA, subject to and upon the terms and conditions of the SPA.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio 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 collectively hold in aggregate 516,514,894 Shares, representing approximately 56.20% 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 had obtained 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 of the Disposal and the valuation report for the Property will be despatched to Shareholders on or before 17 August 2023.

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

The Board is pleased to announce that on 27 July 2023 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Guarantor (a direct 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 Sale Shares and the benefit of the Sale Loan for an initial consideration of HK\$266,000,000 (subject to the adjustments), and the Guarantor agreed to guarantee the Vendor's post-Completion obligations under the SPA, subject to and upon the terms and conditions of the SPA.

THE SPA

Date: 27 July 2023 (after trading hours)

Parties:

Vendor: Century Wisdom Limited (紀智有限公司), an indirect wholly-owned subsidiary of the Company

Purchaser: Y.W. Fong Continuation Limited (方潤華興盛有限公司)

Guarantor: National Properties Holdings Limited (樂聲置業有限公司), a direct wholly-owned subsidiary of the Company

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

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 Sale Shares and the benefit of the Sale Loan. The Vendor legally and beneficially owns 100 ordinary shares of the Target Company, which represents the entire issued and paid up share capital of the Target Company. The Target Company is the sole legal and beneficial owner of the Property. The Property is presently subject to a mortgage executed by the Target Company in favour of NCB (the "**Mortgage**") which will be released and discharged upon Completion.

Consideration and payment terms

The Consideration shall be an initial consideration of HK\$266,000,000 (the "**Initial Consideration**") (being the market value of the Property as at the date of the SPA as agreed between the Vendor and the Purchaser) subject to the adjustments. The Initial Consideration shall comprise the following:

- (a) the purchase price for the Sale Loan, which shall be an amount equal to the Sale Loan and shall not exceed the Initial Consideration; and
- (b) the purchase price for the Sale Shares, which shall be the Consideration less the purchase price for the Sale Loan.

The Consideration shall be paid in the following manner:

- (a) a sum of HK\$26,600,000 shall be paid by the Purchaser to the Vendor's solicitors as stakeholders upon signing of the SPA (the "**Deposit**");
- (b) a sum equal to the amount payable to NCB to fully release and discharge the Mortgage (including all further interest, prepayment fees, break funding fees and costs and expenses incurred by NCB for such release and discharge, if any) (such total amount being the "**Redemption Amount**"), as notified, directed and instructed by the Vendor at least five business days before the Completion Date, shall be made payable directly to NCB (or such entity as NCB may direct) at Completion;
- (c) a sum equal to the balance of the Initial Consideration less the Deposit and the Redemption Amount (the "**Initial Balance**") (as adjusted in the following manner) (the "**Completion Balance**") shall be paid by the Purchaser to the Vendor (or as the Vendor may direct in writing at least three business days before the Completion Date) at Completion:
 - (i) there shall be added to the Initial Balance an amount equal to the value of all current and tangible assets of the Target Company as at Completion, including the prepayments or deposits to utility companies but excluding the Property and any deferred tax assets (if any) as at Completion as shown in the Pro Forma Completion Accounts;
 - (ii) there shall be deducted from the Initial Balance an amount equal to the value of all current liabilities (including any provisions) of the Target Company as at Completion but excluding the Sale Loan, the Redemption Amount and deferred tax liabilities (if any) as at Completion as shown in the Pro Forma Completion Accounts; and
- (d) an amount calculated based on any adjustment to the Initial Consideration shall be payable by the Purchaser to the Vendor or by the Vendor to the Purchaser (as the case may be) within five business days after the delivery of the Completion Accounts as set out in the section headed "Adjustments of the Initial Consideration" below.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser with reference to, among other things, the appraised value of the Property. The Directors consider that the Consideration is fair and reasonable and in the interests of the Company and Shareholders as a whole.

Adjustments of the Initial Consideration

Based on the Completion Accounts, the final amount of the Consideration shall be determined by the Vendor and the Purchaser as follows:

- (a) there shall be added to the Initial Consideration an amount equal to the value of all current and tangible assets of the Target Company (including the prepayments or deposits to utility companies) but excluding the Property and any deferred tax assets (if any) as at Completion as shown in the Completion Accounts; and
- (b) there shall be deducted from the Initial Consideration an amount equal to the value of all current liabilities (including any provisions) of the Target Company but excluding the Sale Loan and deferred tax liabilities (if any) as at Completion as shown in the Completion Accounts.

Within five business days after the delivery of the Completion Accounts,

- (a) if the final amount of the Consideration (calculated based on the above) less the Deposit and the Redemption Amount is more than the amount of the Completion Balance paid by the Purchaser to the Vendor, the Purchaser shall pay such sum (being the difference of the said amounts) to the Vendor; or
- (b) if the final amount of the Consideration (calculated based on the above) less the Deposit and the Redemption Amount is less than the amount of the Completion Balance paid by the Purchaser to the Vendor, the Vendor shall pay such sum (being the difference of the said amounts) to the Purchaser.

Conditions precedent

Completion shall be subject to and conditional upon the following being satisfied or waived in accordance with the SPA:

- (a) subject to the terms of the SPA, the Vendor having procured the Target Company to show and give good title to the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong), free from all encumbrances;
- (b) vacant possession of the Property having been delivered to the Purchaser upon Completion;
- (c) all the fundamental warranties set out in the SPA remaining true and correct and not misleading in all respects as at Completion;

- (d) subject to the terms of the SPA, the results of the due diligence investigations on the Property, the Target Company and the title to the Sale Shares and the Sale Loan being reasonably satisfactory to the Purchaser;
- (e) the Target Company being and as at Completion remaining the sole legal and beneficial owner of the Property;
- (f) the Vendor being and as at Completion remaining the sole legal and beneficial owner of the Sale Shares and the Sale Loan;
- (g) there being no material adverse effect set out in the SPA; and
- (h) the Property is not for any reason: (i) condemned, as a dangerous structure, closed or declared dangerous by any relevant authority; (ii) substantially or structurally damaged or destroyed, or rendered inaccessible by a natural disaster, torrential rain, fire, explosion or other calamity; (iii) subject to any closure order under the Buildings Ordinance (Cap.123 of the Laws of Hong Kong), the Demolished Buildings (Re-development of Sites) Ordinance (Cap.337 of the Laws of Hong Kong); or (iv) subject to any notice of resumption, compulsory acquisition or re-entry by any relevant authority.

The Purchaser may in its absolute discretion at any time waive in writing any of the above conditions precedent or any part thereof on such terms as it may decide.

Completion

Subject to fulfillment (or waiver, if applicable) of the conditions precedent set out above, Completion shall take place at the office of the Purchaser's solicitors (or such other venue as the Purchaser and the Vendor may agree in writing) on the Completion Date.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the accounts of the Target Company and the Property will no longer be consolidated into the financial statements of the Company thereafter.

Guarantee

The Guarantor unconditionally and irrevocably guaranteed to the Purchaser, the due and punctual performance by the Vendor of all its post-Completion obligations under the SPA as if the Guarantor were the principal obligor to the intent that the Guarantor, will itself immediately on demand perform and discharge such obligations.

INFORMATION OF TARGET COMPANY AND THE PROPERTY

The Target Company is a property investment company incorporated in Hong Kong and is wholly-owned by the Vendor as at the date of this announcement.

Set out below is the audited financial information of the Target Company for the financial years ended 31 March 2022 and 2023, respectively, extracted from its audited financial statements, prepared in accordance with the Hong Kong Financial Reporting Standard:

	For the financial year ended 31 March 2022 <i>HK\$'000</i> (approximately)	For the financial year ended 31 March 2023 <i>HK\$'000</i> (approximately)
Revenue	–	–
Net loss before taxation and extraordinary items	1,851	15,382
Net loss after taxation and extraordinary items	1,851	15,382

The unaudited total assets and the unaudited net asset value of the Target Company as at 25 July 2023 were approximately HK\$238,566,000 and HK\$21,563,000, respectively.

The Property is a residential property.

FINANCIAL EFFECTS OF THE DISPOSAL

It is expected that the Group will record a gain of approximately HK\$22,265,000 on Completion after taking into account of the related expenses of approximately HK\$5,200,000 payable by the Group in connection with the Disposal. Such gain is calculated by reference to the unaudited net asset value of the Target Company as at 25 July 2023.

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 Shareholders as a whole.

INFORMATION OF THE COMPANY, THE VENDOR, THE GUARANTOR AND THE PURCHASER

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 Vendor

The Vendor, an indirect wholly-owned subsidiary of the Company, is principally engaged in investment holding.

Information of the Guarantor

The Guarantor, a direct wholly-owned subsidiary of the Company, is principally engaged in investment holding and property management.

Information of the Purchaser

The Purchaser is principally engaged in investment in shares and properties.

To the best of the Directors' knowledge, as at the date of this announcement, the ultimate beneficial owner(s) of the Purchaser is the Fong's Family.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio 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 close 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 the Disposal.

The Company has a closely allied group of Shareholders which collectively hold in aggregate 516,514,894 Shares, representing approximately 56.20% 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 had obtained a written approval from such closely allied group of Shareholders, including Americus Holdings Limited and Fenmore Investments Limited which held 250,813,276 Shares and 265,701,618 Shares (representing approximately 27.29% and 28.91% of the issued share capital of the Company) respectively as at the date of this announcement, for the approval of the Disposal. The said 250,813,276 Shares held by Americus Holdings Limited and 265,701,618 Shares held by Fenmore Investments Limited are part of the property of two discretionary trusts of which Mr. Lee Yuen Ching, Jimmy, his family members and family members of 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 the Disposal.

A circular containing, among other things, further details of the Disposal and the valuation report for the Property will be despatched to Shareholders on or before 17 August 2023.

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:

“Board”	the board of directors of the Company
“business day”	a day (excluding Saturdays, Sundays and days 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 9:00 a.m. and 5:00 p.m.) on which banks are generally open for business in Hong Kong
“close associate(s)”, “connected person(s)”, “percentage ratio(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Company”	National Electronics Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange (stock code: 213)

“Completion”	completion of the Disposal in accordance with the terms and conditions of the SPA
“Completion Accounts”	the Pro Forma Completion Accounts as audited pursuant to the terms of the SPA and the auditor’s reports in relation thereto
“Completion Balance”	has the meaning as defined in the “Consideration and payment terms” section of this announcement
“Completion Date”	11 October 2023 or any other date which may be agreed by the Vendor and the Purchaser in writing
“Consideration”	the total amount of the purchase price payable by the Purchaser to the Vendor for the Sale Shares and the Sale Loan pursuant to the terms of the SPA
“Deposit”	has the meaning as defined in the “Consideration and payment terms” section of this announcement
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan by the Vendor to the Purchaser in accordance with the terms and conditions of the SPA
“Fong’s Family”	family member(s) of Y.W.Fong (方潤華)
“Group”	the Company and its subsidiaries
“Guarantor”	National Properties Holdings Limited (樂聲置業有限公司), a company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Company as at the date of this announcement
“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
“Initial Balance”	has the meaning as defined in the “Consideration and payment terms” section of this announcement
“Initial Consideration”	has the meaning as defined in the “Consideration and payment terms” section of this announcement
“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 of this announcement
“NCB”	Nanyang Commercial Bank, Limited
“Parties”	the parties to the SPA
“Pro Forma Completion Accounts”	the unaudited pro forma management accounts of the Target Company as at the Completion Date
“Property”	all those 2,135 equal undivided 31,000th parts or shares of and in all that piece or parcel of ground registered in the Land Registry as RURAL BUILDING LOT NO.1057 and of and in the messuages, erections and buildings thereon now known as “NO.39 DEEP WATER BAY ROAD”, Hong Kong (the “ Complex ”) together with the sole and exclusive right and privilege to hold, use, occupy and enjoy all that House No.8 (including the gardens, carports, terraces, canopies, yard, foyer, flat roofs, roof and upper roof and the pump room(s) and the exterior walls thereof) of the Complex
“Purchaser”	Y.W. Fong Continuation Limited (方潤華興盛有限公司), a company incorporated in Hong Kong
“Redemption Amount”	the sum required to be paid to NCB to fully release and discharge the Mortgage upon Completion
“Sale Loan”	the entire amount of the principal, interest (if any) and other sums and indebtedness due, owing or payable to the Vendor by the Target Company, as at the Completion Date (representing all amounts owing by the Target Company to the Vendor as at such date)
“Sale Shares”	100 ordinary shares of the Target Company held by the Vendor, representing the entire issued and paid up share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“SPA”	the sale and purchase agreement entered into between the Vendor, the Guarantor and the Purchaser on 27 July 2023 in respect of the Disposal

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	HGL Investment Limited, a company incorporated in Hong Kong, is wholly-owned by the Vendor as at the date of this announcement
“Vendor”	Century Wisdom Limited (紀智有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“%”	per cent

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

Hong Kong, 27 July 2023

As at the date of this announcement, the Executive Directors of the Company 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 of the Company is Ms. Lee Yuen Yu, Dorathy; and the Independent Non-executive Directors of the Company are Mr. Chan Chak Cheung, William, Mr. Chan Kwok Wai and Mr. Sun Dai Wai, David.