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NATIONAL ELECTRONICS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 213)

DISCLOSEABLE TRANSACTION

PROVISIONAL SALE AND PURCHASE AGREEMENT

IN RELATION TO AN ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND RELATED SHAREHOLDERS' LOAN OWING BY HGL INVESTMENT LIMITED

THE ACQUISITION

The Board is pleased to announce that on 3 April 2020 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Provisional SPA with the Vendors, pursuant to which the Vendors agreed to sell and assign, and the Purchaser agreed to purchase and accept the assignment of, the Sale Share and the benefit of the Sale Loan for a consideration of HK\$170,000,000 (subject to adjustment) subject to and upon the terms and conditions of the Provisional SPA.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) of the Acquisition exceeds 5% but does not exceed 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition is subject to the reporting and announcement requirements but is exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 3 April 2020 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Provisional SPA with the Vendors, pursuant to which the Vendors agreed to sell and assign, and the Purchaser agreed to purchase and accept the assignment of, the Sale Share and the benefit of the Sale Loan for a consideration of HK\$170,000,000 (subject to adjustment) subject to and upon the terms and conditions of the Provisional SPA.

PROVISIONAL SPA

Date: 3 April 2020 (after trading hours)

Parties:

Vendor 1: Lui Pui On (呂培安)

Vendor 2: Hon Kwan Yee, Gloria (韓筠而)

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

To the best knowledge of the Directors having made all reasonable enquiries, each of the Vendor 1 and Vendor 2 is an Independent Third Party.

Assets to be acquired

Pursuant to the Provisional SPA, Vendors agreed to sell and assign, and the Purchaser agreed to purchase and accept the assignment of, the Sale Share and the benefit of the Sale Loan.

Each of the Vendors legally and beneficially owns 50 ordinary shares of HGL, which together represent the entire issued and paid up share capital of the HGL. HGL is the legal and beneficial owner of the Property, which is presently subject to a mortgage dated 11 May 2010 in favour of HSBC and shall be discharged or released upon Completion.

Consideration and payment terms

The Consideration is HK\$170,000,000, subject to adjustment as described in paragraphs (b) and (c) below, and shall be apportioned as follows:

- (i) the consideration for the Sale Loan shall be an amount equal to the Sale Loan outstanding at the Completion; and
- (ii) the consideration for the transfer of the Sale Share shall be the amount of the Consideration less the consideration for the Sale Loan set out in paragraph (i) above.

The Consideration shall be paid in the following manner:

- (a) a deposit of HK\$15,000,000 shall be paid by the Purchaser to the Vendors' solicitors as stakeholders upon the signing of the Provisional SPA;

- (b) the balance of the Consideration in the sum of HK\$155,000,000 (subject to the adjustment as determined in the following manner) shall be paid upon Completion, with an amount equal to the Redemption Amount made payable to HSBC and the balance shall be paid to the Vendors:
- (i) there shall be added to the balance of the Consideration an amount equal to the value of all the current assets of HGL (excluding the Property) as shown in the Pro Forma Completion Accounts (if agreed among the Parties); and
 - (ii) there shall be deducted from the balance of the Consideration an amount equal to the value of all liabilities of HGL (other than the Sale Loan and Redemption Amount) as shown in Pro Forma Completion Accounts (if agreed among the Parties);
- (c) in the event that the Parties fail to agree on the Pro Forma Completion Accounts, the Parties shall first proceed to Completion based on the provisional adjustment set out in the Pro Forma Completion Accounts with further adjustment(s) (if any) to be made in the following manner:
- (i) within 30 days after Completion, the Vendors shall produce to the Purchaser the Final Completion Accounts showing the adjustment to the balance of the Consideration;
 - (ii) within 14 days after the receipt of the Final Completion Accounts, the Parties shall agree on any final adjustments needed to be made to the balance of the Consideration paid by the Purchaser on Completion;
 - (iii) in the event that the Parties shall fail to agree on the final adjustments based on the Final Completion Accounts, an independent international firm of public accountants in Hong Kong shall be appointed to determine such final adjustments and whose decision shall be final and binding on all Parties; and
 - (iv) any excess paid on Completion shall be forthwith returned to the Purchaser without interest and any shortfall shall be paid forthwith to the Vendors without interest and in any event within five working days after the date of the Parties' agreement on any final adjustment to the balance of the Consideration or the date of issuance of the determination by the aforesaid appointed firm of public accountants.

The Consideration was determined after arm's length negotiation between the Vendors 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.

Conditions precedent

Completion is conditional upon the Vendors having shown to the Purchaser's satisfaction that:

- (a) the entire issued share capital of HGL is beneficially owned by the Vendors free from all encumbrances and the Vendors have good title to the Sale Share and title of which can be transferred to the Purchaser on Completion free from all encumbrances;
- (b) the Sale Loan is due and owing from HGL to the Vendors and free from all encumbrances and that the Vendors have good title to the Sale Loan and such can be assigned to the Purchaser on Completion free from all encumbrances;
- (c) HGL is the sole registered and beneficial owner of the Property and is subject only to the Existing Security which shall be discharged or released upon Completion and HGL being able to show and give a 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); and
- (d) warranties given by the Vendors to the Purchaser set out in the Provisional 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.

Formal Agreement in respect of the Acquisition

A formal agreement for the Acquisition ("**Formal Agreement**") embodying the terms of the Provisional SPA shall be executed by the Parties on or before the expiration of 30 days from the date of the Provisional SPA. The Provisional SPA shall constitute legally binding obligations of the Parties unless and until superseded by the Formal Agreement.

Completion

Subject to fulfillment of the conditions precedent set out above, Completion shall take place within 60 days from the date of the Provisional SPA ("**Completion Date**") at the offices of the Vendors' solicitors.

INFORMATION OF HGL AND THE PROPERTY

HGL is a property investment company incorporated in Hong Kong and is owned as to 50% by Vendor 1 and 50% by Vendor 2 as at the date of this announcement.

Given that the Provisional SPA is entered into shortly after the financial year ended 31 March 2020 (“FY2020”), neither the audited nor the unaudited financial statements for FY2020 (“2020 Accounts”) of HGL has been prepared as at the date of this announcement. Pursuant to the Provisional SPA, the Vendors shall produce to the Purchaser the draft 2020 Accounts before 30 April 2020 and the final audited 2020 Accounts before Completion. Accordingly, set out below is the audited financial information of HGL for the financial years ended 31 March 2018 and 2019, respectively, extracted from its audited financial statements, prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the financial year ended 31 March 2018 <i>HK\$'000</i>	For the financial year ended 31 March 2019 <i>HK\$'000</i>
Revenue	1,800	–
Net loss before taxation	2,138	4,555
Net loss after taxation	2,165	4,555

The unaudited total assets and the unaudited net liabilities of HGL as at 29 February 2020 was approximately HK\$123,928,000 and HK\$34,557,000, respectively.

The Property is a residential property.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and its subsidiaries are principally engaged in, among others, property development and investment. The Directors consider that the Acquisition is in line with the principal businesses of the Group and will enable the Group to enlarge its properties portfolio with high quality assets, and thus the Group’s property business portfolio will be strengthened and enhanced.

The Directors consider that the Acquisition 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.

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

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 and investment and hotel operation.

Information of the Purchaser

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

Information of the Vendors

Each of the Vendors is an individual who is an Independent Third Party.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) of the Acquisition exceeds 5% but does not exceed 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition is subject to the reporting and announcement requirements but is exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS USED IN THIS ANNOUNCEMENT

In this announcement, the following definitions apply unless otherwise stated. Also, where terms are defined and used in only one section of this announcement, these defined terms are not included in the table below:

“Acquisition”	the acquisition of the Sale Share and the Sale Loan by the Purchaser from the Vendors in accordance with the terms of the Provisional SPA
“Board”	the board of directors of the Company
“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”	the completion of the Acquisition in accordance with the terms of the Provisional SPA
“Completion Date”	has the meaning as defined in the “Completion” section
“Consideration”	the consideration payable under the Acquisition
“Directors”	the directors of the Company
“Existing Security”	the existing mortgage of the Property dated 11 May 2010 in favour of HSBC registered in the Land Registry
“Final Completion Accounts”	the final statement of financial position of HGL as at the close of business on the Completion Date procured to be prepared by the Vendors within 30 days after Completion
“Group”	the Company and its subsidiaries
“HGL”	HGL Investment Limited, a company incorporated in Hong Kong and which is owned as to 50% by Vendor 1 and 50% by Vendor 2 as at the date of this announcement

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HSBC”	The Hong Kong and Shanghai Banking Corporation Limited
“Independent Third Party”	a person who is not a connected person (as defined in the Listing Rules) of the Company and is a third party independent of and not connected with the Company or its connected persons (as defined in the Listing Rules)
“Land”	all that piece or parcel of ground registered in the Land Registry as RURAL BUILDING LOT NO.1057
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the parties to the Provisional SPA
“Pro Forma Completion Accounts”	the pro forma statement of financial position of HGL as at the close of business on the Completion Date procured to be prepared by the Vendors at least seven working days prior to Completion
“Property”	all those 2,135 equal undivided 31,000th parts or shares of the Land 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
“Provisional SPA”	the provisional sale and purchase agreement dated 3 April 2020 entered into between the Vendors and the Purchaser in respect of the Acquisition
“Purchaser”	Century Wisdom Limited (紀智有限公司), an indirect wholly-owned subsidiary of the Company
“Redemption Amount”	the sum required to be paid to HSBC to release the Existing Security upon Completion
“Shareholders”	the shareholders of the Company
“Sale Loan”	the benefit of the loan(s) owing by HGL to the Vendors as at Completion
“Sale Share”	50 ordinary shares of HGL held by Vendor 1 and 50 ordinary shares of HGL held by Vendor 2, together representing the entire issued and paid up share capital of HGL

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor 1”	Lui Pui On (呂培安)
“Vendor 2”	Hon Kwan Yee, Gloria (韓筠而)
“Vendors”	collectively Vendor 1 and Vendor 2
“%”	per cent

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

Hong Kong, 3 April 2020

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 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.