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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 a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in National Electronics Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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**

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Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 15 of this circular.

This circular is being despatched to the Shareholders for information only. The Disposal has been approved by the written approval pursuant to Rule 14.44 of the Listing Rules. The Company is exempted from convening a shareholders' meeting for the approval of the Disposal.

30 August 2023

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms and expressions have the following meanings:*

“Adjusted Effective Unit Rates”	has the meaning as defined in the paragraph headed “Consideration and payment terms” in the “Letter from the Board” section herein
“Announcement”	the announcement of the Company dated 27 July 2023 in relation to the SPA
“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)
“Comparables”	has the meaning as defined in the paragraph headed “Consideration and payment terms” in the “Letter from the Board” section herein
“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 paragraph headed “Consideration and payment terms” in the “Letter from the Board” section herein
“Completion Date”	11 October 2023 or any other date which may be agreed by the Vendor and the Purchaser in writing

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## DEFINITIONS

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“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 paragraph headed “Consideration and payment terms” in the “Letter from the Board” section herein
“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
“Effective Unit Rate Range”	has the meaning as defined in the paragraph headed “Consideration and payment terms” in the “Letter from the Board” section herein
“Expected Maximum Consideration”	has the meaning as defined in the paragraph headed “Adjustments of the Initial Consideration” in the “Letter from the Board” section herein
“Facilities”	has the meaning as defined in the paragraph headed “Consideration and payment terms” in the “Letter from the Board” section herein
“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 Latest Practicable Date
“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 paragraph headed “Consideration and payment terms” in the “Letter from the Board” section herein

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## DEFINITIONS

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“Initial Consideration”	has the meaning as defined in the paragraph headed “Consideration and payment terms” in the “Letter from the Board” section herein
“Latest Practicable Date”	25 August 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mortgage”	has the meaning as defined in the paragraph headed “Assets to be disposed of” in the “Letter from the Board” section herein
“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 messages, erections and buildings thereon now known as “NO. 39 DEEP WATER BAY ROAD”, Hong Kong (the “ <b>Complex</b> ”) 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 Completion Accounts”	has the meaning as defined in the paragraph headed “Adjustments of the Initial Consideration” in the “Letter from the Board” section herein
“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

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## DEFINITIONS

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“Relevant Assets”	has the meaning as defined in the paragraph headed “Adjustments of the Initial Consideration” in the “Letter from the Board” section herein
“Relevant Liabilities”	has the meaning as defined in the paragraph headed “Adjustments of the Initial Consideration” in the “Letter from the Board” section herein
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 Latest Practicable Date
“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 Latest Practicable Date
“%”	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. Jimmy Lee Yuen Ching (*Chairman*)

Mr. Loewe Lee Bon Chi

*(Managing Director)*

Mr. James Lee Yuen Kui

*(Managing Director)*

Mr. Edward Lee Yuen Cheor

Mr. Ricky Wai Kwong Yuen

*Non-executive Director:*

Ms. Dorathy Lee Yuen Yu

*Independent non-executive Directors:*

Mr. William Chan Chak Cheung

Mr. Chan Kwok Wai

Mr. David Sun Dai Wai

*Registered office:*

Conyers Corporate Services (Bermuda) Limited

Clarendon House

2 Church Street

Hamilton, Pembroke, HM11

Bermuda

*Principal place of business in Hong Kong:*

Suite 3201, Gloucester Tower

The Landmark

11 Pedder Street

Central

Hong Kong

30 August 2023

*To the Shareholders*

Dear Sir or Madam,

### 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

#### INTRODUCTION

Reference is made to the Announcement.

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.

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## LETTER FROM THE BOARD

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### 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<sup>(Note 1)</sup>; and
- (b) the purchase price for the Sale Shares, which shall be the Consideration less the purchase price for the Sale Loan<sup>(Note 2)</sup>.

*Notes:*

1. Based on the unaudited management accounts of the Target Company as at 31 July 2023, the purchase price for the Sale Loan is HK\$216,971,795. Please note that this figure is for reference only as the final amount of the Sale Loan could only be determined on or after the Completion Date with reference to the Completion Accounts.
2. Based on the unaudited management accounts of the Target Company as at 31 July 2023, the purchase price for the Sale Shares is HK\$49,028,205. Please note that this figure is for reference only as the final amount of the Sale Shares could only be determined on or after the Completion Date with reference to the Completion Accounts.

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## LETTER FROM THE BOARD

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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 (including the Initial Consideration) is fair and reasonable and in the interests of the Company and Shareholders as a whole since (i) the Directors are of the view that the valuation approach, key assumptions and comparable transactions adopted by the independent valuer to prepare the valuation report is fair and reasonable; (ii) the Directors have placed reasonable reliance on the valuation performed by the independent valuer, being a professional and reputable valuer in the market; and (iii) the Company has been engaging such independent valuer for more than 10 years of time for properties valuation work and it has been competent and capable in performing valuation.

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## LETTER FROM THE BOARD

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In order to determine the amount of the Initial Consideration (which represents the market value of the Property as at the date of the SPA as agreed among the Vendor and the Purchaser), the Company has taken into account the following:

- (a) the market value of the Property, being HK\$250,000,000, based on the valuation report for valuation of the Property as at 30 June 2023, where a copy of such valuation report is set out in Appendix II of this circular. Such market value is determined with reference to or based on the below basis (for further details, please refer to Appendix II of this circular):
  - (i) the Property was valued by market approach assuming sale of the Property in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market;
  - (ii) it is assumed that, among others, the valuation excludes any estimated price inflated or deflated by special terms or circumstances associated with the sale, and no allowance has been made in the valuation for any charges, mortgages or amounts owing on the Property nor any expenses or taxation which may be incurred in effecting a sale;
  - (iii) as confirmed with the independent valuer, in order to perform valuation on the Property, reference has been made to the transactions of comparable properties, among which: (aa) three comparable properties (the “**Comparables**”) were identified which are similar or comparable to the Property; (bb) the Comparables were selected and were determined as directly comparable to the Property on the basis that, among others, (1) in terms of location, the Comparables are in close vicinity of the location of the Property, i.e. located in the southern region of the Hong Kong Island, (2) in terms of the qualities, the Comparables are in similar calibre of properties when compared to the Property, (3) in terms of the time of the transactions, the transactions for the Comparables were entered into within one year from the valuation date of the Property, (4) in terms of house type, the Comparables and the Property are all houses or villas, and (5) in terms of facilities, the Comparables and the Property are equipped with garden, terrace, yard and/or roof (the “**Facilities**”); (cc) the sale prices of the Comparables are within a price range of approximately HK\$66,560 to HK\$79,393 per square foot on saleable area which is equivalent to an effective unit rate between HK\$63,387 to HK\$77,333 after making adjustments by taking into account the area and size of the Facilities (the “**Effective Unit Rate Range**”); (dd) the Effective Unit Rate Range was then further adjusted after taking into account various factors, including the location, age, time, view, size, house type, facilities, qualities, maintenance and management by applying certain applicable percentage ratios to arrive at the adjusted effective unit rates of HK\$67,895, HK\$78,484 and HK\$86,219, respectively, for the Comparables (the “**Adjusted Effective Unit**”

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## LETTER FROM THE BOARD

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**Rates**”); and (ee) the effective unit rate of the Property was then determined by making reference to the average of the Adjusted Effective Unit Rates, i.e. HK\$77,500 per square foot, which in turn, is equivalent to a unit rate of HK\$85,063 on saleable area (without taking into consideration the area and size of the Facilities); and

- (b) the expected appreciation of the market value of the Property from the date of the valuation of the Property (i.e. 30 June 2023) up to the date of the SPA.

### **Adjustments of the Initial Consideration**

Within 30 days after Completion (or as otherwise agreed by the Vendor and the Purchaser in writing), the existing auditors of the Target Company shall deliver to the Purchaser the provisional audited Pro Forma Completion Accounts (the “**Provisional Completion Accounts**”). After the receipt of the Provisional Completion Accounts, the Vendor and the Purchaser shall have 10 business days to review and approve it. If the Provisional Completion Accounts is approved, it forms the Completion Accounts. If the Provisional Completion Accounts is not approved by the Vendor or the Purchaser, the aforesaid existing auditors shall, within 15 business days from receipt of such disapproval, review the grounds of disapproval and to finally determine the Provisional Completion Accounts and that shall form the final Completion Accounts. The final amount of the Consideration would be determined once the Completion Accounts is agreed among the Vendor and the Purchaser, or is determined by the aforesaid existing auditors (as the case may be).

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) (collectively, the “**Relevant Assets**”) 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) (collectively, the “**Relevant Liabilities**”) as at Completion as shown in the Completion Accounts.

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## LETTER FROM THE BOARD

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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.

Based on the unaudited management accounts of the Target Company as at the Latest Practicable Date, on the assumptions that (i) the Relevant Assets and the Relevant Liabilities will remain stable and without any substantial changes prior to the Completion Date, and (ii) a rate of 15% (which the Directors consider such rate is reasonable for the purpose of estimating the maximum amount of the Consideration as 15% is being the higher band for sensitivity analysis for customary financial modelling) will be utilised to (aa) increase the Relevant Assets and (bb) decrease the Relevant Liabilities for the purpose of maximising and computing the final amount of the Consideration based on the aforesaid adjustment mechanism<sup>(Note)</sup>, the Directors expect that the maximum final amount of the Consideration will not be more than HK\$266,042,536 (the “**Expected Maximum Consideration**”).

### 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;

*Note:* Such amount is arrived at quantitatively by using this formula: Initial Consideration + Relevant Assets as at the Latest Practicable Date x (1+15%) - Relevant Liabilities as at the Latest Practicable Date x (1-15%).

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## LETTER FROM THE BOARD

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- (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.

As at the Latest Practicable Date, the Purchaser was raising requisitions and doing due diligence investigations on the Property and, accordingly, not all of the conditions precedent had been satisfied.

### **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. Such post-Completion obligations include, without limitation, (i) any claim made by the Purchaser against the Vendor for breach of the warranties warranted by the Vendor in favour of the Purchaser under the SPA, (ii) to make adjustment to the Initial Consideration as set out under the paragraph headed "Adjustments of the Initial Consideration" above, and (iii) to indemnify the Purchaser and the Target Company against any taxation falling on the Target Company in connection with any taxation claim accrued before Completion and all related costs and losses incurred by the Target Company pursuant thereto.

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## LETTER FROM THE BOARD

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### Warranties

Pursuant to the SPA, the Vendor has made various warranties in favour of the Purchaser which comprise various aspects including but not limited to (i) the general information and powers of the Vendor, (ii) the share capital of the Target Company and the particulars of the Sale Shares and the Sale Loan, (iii) financial matters and accounts of the Target Company, (iv) corporate matters and records relating to the Target Company, (v) business activity of the Target Company, (vi) finance and mortgage relating to the Target Company, (vii) employment matters relating to the Target Company, (viii) assets and liabilities of the Target Company, (ix) insurance matters relating to the Target Company, (x) litigation, investigations, disputes and winding up regarding the Target Company, (xi) property matters of the Target Company, (xii) intellectual property of the Target Company and (xiii) taxation matters relating to the Target Company.

### 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 Latest Practicable Date.

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:

	<b>For the financial year ended 31 March 2022 HK\$'000 (approximately)</b>	<b>For the financial year ended 31 March 2023 HK\$'000 (approximately)</b>
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 and is held by the Company for investment purpose. As at the Latest Practicable Date, the Property was vacant.

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## LETTER FROM THE BOARD

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### 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, among which, is computed based on the book value of the Property. Subject to audit and adjustment to the Initial Consideration, the gain of approximately HK\$22,265,000 is arrived at by deducting the said related expenses and the said book value of the Property from the Initial Consideration.

The net book value of the Target Company based on the unaudited management accounts of the Target Company as at 31 July 2023 amounted to approximately HK\$21,556,000. Based on the amount of approximately HK\$70,117,000 (being the Initial Consideration minus the Redemption Amount as at 31 July 2023), the excess of such amount over the net book value is approximately HK\$48,561,000.

### FINANCIAL EFFECTS ON EARNINGS, ASSETS AND LIABILITIES

Upon Completion, the income statements of the Target Company were no longer consolidated to the consolidated income statement of the Group going forward. Assuming that the Disposal had taken place on 11 October 2023, the total revenue of the Group would have no effect for the financial year ending 31 March 2024.

Upon Completion, the balance sheet of the Target Company were no longer consolidated to the consolidated balance sheet of the Group going forward.

Assuming that the Disposal had taken place on 11 October 2023, the total assets of the Group would decrease from approximately HK\$8,508,307,000 to approximately HK\$8,138,217,000, and the total liabilities of the Group would decrease from approximately HK\$5,962,158,000 to approximately HK\$5,765,834,000.

### 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

The property market in Hong Kong has recently become uncertain and gloomy and it is likely that such weak market sentiment will persist for a period of time. Having regard to such prevailing market conditions, the Directors consider that the Disposal provides a good opportunity for the Group to realise its investment, namely the Property, at a favourable price and enhance the liquidity of the Group so as to reallocate more financial resources to other businesses and future development of the Group, in particular, other business segments that the Group has engaged in.

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## LETTER FROM THE BOARD

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### 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 Latest Practicable Date, 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 (by taking into consideration, among others, the Initial Consideration as well as the Expected Maximum Consideration) 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.

In the event that the final amount of the Consideration (after adjustment) is to increase to an extent that will result in any of the applicable percentage ratio in respect of the Disposal higher than 75%, the Company will comply with the relevant requirements under Chapter 14 of the Listing Rules, including but not limited to obtaining shareholders' approval via general meeting of the Company.

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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 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 56.2% 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 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 27.3% and 28.9% of the issued share capital of the Company respectively as at the Latest Practicable Date), 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.

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. If, despite the said written approval from Americus Holdings 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 SPA, the Directors would have recommended that the Shareholders vote in favour of such resolution.

### ADDITIONAL INFORMATION

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

**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.**

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

**1. INDEBTEDNESS OF THE GROUP**

As at 31 July 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group had outstanding bank borrowings of approximately HK\$4,864 million (out of which (i) approximately HK\$3,953 million was secured and approximately HK\$911 million was unsecured; and (ii) approximately HK\$4,732 million was guaranteed and approximately HK\$132 million was unguaranteed) representing short and long term loans and trust receipt loans. In addition, the Group had outstanding at that date contingent liabilities in respect of guarantees given to third parties of approximately HK\$420 million.

Save as aforesaid, and apart from intra-group liabilities, the Group did not have, as at the close of business on 31 July 2023, any other debt securities issued or outstanding, and authorised or otherwise created but unissued, term loans, other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchases commitments, mortgages, charges, guarantees or other material contingent liabilities.

**2. WORKING CAPITAL OF THE GROUP**

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

**3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

After Completion, the 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**

The interest rate hikes in most countries in the past year have weakened consumers' demand as well as Hong Kong's exports. This economic environment continues to challenge the Group's watch manufacturing and watch components business.

**Hotel operation**

With increasing numbers of both business and leisure visitors to Hong Kong, the prospects of the Group's designer boutique hotels are encouraging and the Group intends to take advantage of this trend to further increase room rates.

**Property development and investment**

The Group has engaged internationally renowned designers for the interior design of its show flats for its luxurious residential project at 1 South Bay Close, Repulse Bay.

Regarding the Group's mixed-use project at 88 Queen Street East in Toronto, Canada, the building is expected to top-off later this year and complete in 2024.

The Group anticipates that both inflation and interest rates to remain at an elevated level for a longer period than expected. The Group will take a conservative view and approach in its future investments.

*The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent valuer, in connection with the valuation of the Property as at 30 June 2023:*



27/F One Island East  
Taikoo Place  
18 Westlands Road  
Quarry Bay  
Hong Kong

30 August, 2023

The Directors  
National Electronics Holdings Limited  
Suite 3201, Gloucester Tower, The Landmark  
11 Pedder Street, Central  
Hong Kong

Dear Sirs,

**Re: 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), No. 39 Deep Water Bay Road, Shouson Hill, Hong Kong. (the “Property”)**

#### **INSTRUCTIONS, PURPOSE & VALUATION DATE**

We refer to your instructions for us to carry out a market valuation of the Property which is held by HGL Investment Limited (the “Company”) for disposal purpose. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the Property as at 30th June, 2023 (the “date of valuation”).

#### **BASIS OF VALUATION**

Our valuation of the Property represents its market value which in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We confirm that the valuation is undertaken in accordance with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited and The HKIS Valuation Standards 2020 issued by The Hong Kong Institute of Surveyors.

Our valuation of the Property is on an entirety interest basis.

**VALUATION ASSUMPTIONS**

Our valuation of the Property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which 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 which could affect its value.

**METHOD OF VALUATION**

We have valued the Property by market approach assuming sale of the Property in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

**SOURCE OF INFORMATION**

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approval, statutory notices, easements, tenure, occupancy and floor areas and all other relevant matters.

Dimensions and measurements are based on the copies of documents provided by the Company and are therefore only approximations. No on-site measurement has been carried out. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuations. We were also advised by the Company that no material facts have been omitted from the information provided.

**TITLE INVESTIGATION**

We have not been provided with copies of the title documents relating to the Property but have caused searches to be made at the Land Registry. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

**SITE INSPECTION**

Our valuer, Ms. Charlotte Wong (Member of HKIS), inspected the exterior of the Property on 26th June 2023. No structural survey has been made, and in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the Property is free of rot, infestation or any other structural defects. No test was carried out on any of the services.

**CONFIRMATION OF INDEPENDENCE**

We hereby confirm that C&W and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the properties or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

We enclose herewith our valuation report for your attention.

Yours faithfully,  
For and on behalf of  
**Cushman & Wakefield Limited**

**Ho Siu Wa**  
*MHKIS, MRICS, RPS (GP)*  
*Senior Director*  
**Valuation & Advisory Services, Hong Kong**

*Note:* Mr. Ho Siu Wa is a Member of the Hong Kong Institute of Surveyors, Royal Institution of Chartered Surveyors and a Registered Professional Surveyor who has over 35 years of experience in the professional property valuation and advisory in Hong Kong. Mr. Ho has sufficient current notional knowledge of the market, and the skills and understanding to undertake the valuations competently.

## VALUATION CERTIFICATE

Property held by the Company in Hong Kong for investment

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30th June, 2023
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), No. 39 Deep Water Bay Road, Shouson Hill, Hong Kong.	No. 39 Deep Water Bay Road is a residential development located in Shouson Hill with a registered site area of 62,463 sq.ft. (5,803 sq.m.).	As inspected, the subject Property was vacant.	HK\$250,000,000 (HONG KONG DOLLARS TWO HUNDRED AND FIFTY MILLION)
2135/31000th shares of and in Rural Building Lot No. 1057.	The development comprises eight 3-storey detached garden houses and four 3-storey terraced garden houses, namely House Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 12. Car parking facilities are provided within the development. The development was completed in 1986 with Occupation Permit No. HK117/86(OP) issued on 20th September, 1986.		
	According to the approved building plans obtained from the Buildings Department, the subject Property "House No. 8" is a 3-storey terraced garden house. In addition, 2 car parking spaces are provided on the Carport Level within the subject Property.		
	As quoted from the Rating and Valuation Department, the saleable area of the subject Property is approximately 2,939 sq.ft. (273.04 sq.m.). As quoted from the developer's sales brochure, the areas of the roof and garden are 498 sq.ft. (46.27 sq.m.) and 1,762 sq.ft. (163.69 sq.m.) respectively.		
	The immediate locality is characterized by low density residential developments in the form of either low rise apartments or town houses for expatriates and upper income groups. Accessibility of the Property is reasonable with public transport services available along Deep Water Bay Road.		
	The Property is held from the Government under Government Lease for a term of 75 years from 24th July, 1981 renewable for a further term of 75 years. The current Government Rent payable for the lot is HK\$1,000.00 per annum.		

*Notes:*

- (1) The registered owner of the Property is HGL Investment Limited.
- (2) The Property is subject to a Mortgage in favour of Nanyang Commercial Bank, Limited to secure all moneys in respect of general banking facilities vide Memorial No. 20102702080047 dated 30th September, 2020.
- (3) The Property falls within Hong Kong Planning Area No. 17 and is zoned under Shouson Hill and Repulse Bay Outline Zoning Plan No. S/H17/13 dated 15th November, 2013 for “Residential (Group C) 3” purposes.
- (4) In undertaking our valuation, we have made reference to sale prices of comparable properties with a price range of approximately HK\$66,560 to HK\$79,393 per sq.ft.. The unit rate adopted by us is consistent with the relevant comparables after adjustments in location, age, time, view, size, house type, facilities, qualities, maintenance & management and other relevant factors.

## 1. 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.

## 2. DISCLOSURE OF INTERESTS

### Directors' interests in the Company

As at the Latest Practicable Date, the interests and short positions, if any, of the Directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of 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 set out in Appendix 10 of the Listing Rules (the “**Model Code**”) to be notified to the Company and the Stock Exchange were as follows:

#### *Long positions in the Shares*

Name of director	Capacity	Personal interests	Corporate interests	Other interests	Total interests	Percentage of the issued share capital of the Company (note f)
Mr. Jimmy Lee Yuen Ching	Chairman	–	–	536,514,894 <i>(notes a &amp; b)</i>	536,514,894	58.391%
Mr. Loewe Lee Bon Chi	Managing Director	21,720,000	–	549,514,894 <i>(notes a &amp; c)</i>	571,234,894	62.170%
Mr. James Lee Yuen Kui	Managing Director	6,534	–	–	6,534	0.001%
Mr. Ricky Wai Kwong Yuen	Executive Director	–	–	40,994,543 <i>(note d)</i>	40,994,543	4.462%
Mr. William Chan Chak Cheung	Independent Non-executive Director	330,000	–	–	330,000	0.036%
Mr. David Sun Dai Wai	Independent Non-executive Director	–	6,097,857 <i>(note e)</i>	–	6,097,857	0.664%

*Notes:*

- (a) 516,514,894 Shares were part of the property of two discretionary trusts of which Mr. Jimmy Lee Yuen Ching and his family members and Mr. Loewe Lee Bon Chi's family members were named beneficiaries.
- (b) 20,000,000 Shares were held by Mr. Jimmy Lee Yuen Ching's family member.
- (c) 33,000,000 Shares were held by Mr. Loewe Lee Bon Chi's family member.
- (d) These 40,994,543 Shares were part of the property of two discretionary trusts of which Mr. Ricky Wai Kwong Yuen was named beneficiary.
- (e) These 6,097,857 Shares were held by Sun International Limited, the issued share capital of which were owned by Mr. David Sun Dai Wai and parties acting in concert with him. Therefore Mr. David Sun Dai Wai was deemed to be interested in the shares held by that company under the SFO.
- (f) The percentage was calculated based on a total of 918,826,962 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of 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, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, save as disclosed above, no other Director was a director or employee of a company which had an interests or short positions 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.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 March 2023 (being 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 were proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

### **3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

**4. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against the Company or any other member of the Group.

**5. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or any of their respective close associates was interested in any businesses (apart from businesses of the Group), which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

**6. QUALIFICATION AND CONSENT OF EXPERT AND EXPERT'S INTERESTS**

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Cushman & Wakefield Limited	An independent professional property valuer

As at the Latest Practicable Date, the above expert did not have:

- (a) any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) any direct or indirect interests in any assets which have been, since 31 March 2023 (being 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 were proposed to be acquired or disposed of by or leased to any member of the Group.

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s), report(s), valuation certificate(s) and/or references to its name included herein in the form and context in which they appear.

**7. MATERIAL CONTRACTS**

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

- (a) the provisional sale and purchase agreement entered into between New Eden Enterprises Limited (an indirect wholly-owned subsidiary of the Company) as purchaser and Rainbow Vast Limited as vendor on 17 September 2021 in relation to the acquisition of the entire issued share capital of and related shareholder's loan owing by Speedy Tactic Limited at a consideration of HK\$132,558,000 (subject to adjustment). Further details of the agreement and the transactions contemplated thereunder are set out in the announcement of the Company dated 17 September 2021; and
- (b) the SPA.

**8. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published and displayed on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.irasia.com/listco/hk/national/index.htm](http://www.irasia.com/listco/hk/national/index.htm)) for a period of 14 days from the date of this circular (both days inclusive):

- (a) the property valuation report, the text of which is set out in appendix II to this circular;
- (b) the written consent given by the expert referred to in the paragraph headed "6. Qualification and Consent of Expert and Expert's Interests" in this appendix; and
- (c) the SPA.

**9. MISCELLANEOUS**

- (a) The qualified accountant and company secretary of the Company is Mr. Wong Kam Kee, Andy, who is a fellow 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;
- (b) The registered office of the Company is located at Conyers Corporate Services (Bermuda) Limited, Clarendon House, 2 Church Street, Hamilton, Pembroke, HM11, 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, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong; and
- (d) The English text of this circular prevails over the Chinese text in case of inconsistency.