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## **NATIONAL ELECTRONICS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 213)**

### **MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ELITE BRIGHT ASIA PACIFIC LIMITED**

#### **THE ACQUISITION**

The Board is pleased to announce that on 22 March 2017, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Preliminary Agreement with the Vendors, pursuant to which the Vendors agreed to sell and assign, and the Purchaser agreed to purchase and take up the assignment of, the Sale Shares and the Sale Loans.

Subject to the Adjustments, the Consideration payable by the Purchaser to the Vendors for the Acquisition is HK\$375,000,000.

The Vendors and the Purchaser shall negotiate in good faith and use all reasonable endeavours to agree and enter into a Formal Agreement on or before 22 May 2017 (or such other date as the Vendors and the Purchaser may agree in writing), which shall reflect the principal terms contained in the Preliminary Agreement and incorporate other customary terms. In the event that the Vendors and the Purchaser shall fail to reach agreement on the terms of the Formal Agreement on or before 22 May 2017 (or such other date as the Vendors and the Purchaser may agree in writing), the Preliminary Agreement shall remain in full force and effect and the parties to the Preliminary Agreement shall continue to fulfil their respective obligations thereunder. Further announcement(s) will be made if and when the Formal Agreement is executed in compliance with the Listing Rules.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Acquisition is higher than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company has a closely allied group of shareholders which together hold approximately 50.78% of the total issued share capital of the Company as at the date of this announcement. Pursuant to Rule 14.44 of the Listing Rules, the Company has obtained written approval from such closely allied group of shareholders, for the approval of the Acquisition. As such, no general meeting will be convened by the Company to approve the Acquisition.

A circular containing, among other things, further details on the Acquisition and valuation report for the Property will be despatched to the shareholders of the Company on or before 13 April 2017.

**As Completion of the Acquisition is subject to the fulfillment of the conditions precedent under the Preliminary Agreement, the Acquisition 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 22 March 2017, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Preliminary Agreement with the Vendors, pursuant to which the Vendors agreed to sell and assign, and the Purchaser agreed to purchase and take up the assignment of, the Sale Shares and the Sale Loans.

## **THE PRELIMINARY AGREEMENT**

Date: 22 March 2017

Parties: the Vendors; and  
Perfect Way Limited, as the Purchaser

To the best knowledge of the Directors having made all reasonable enquiries, the Vendors are third parties independent of the Company and its connected persons.

### **Assets to be acquired**

Pursuant to the Preliminary Agreement, the Vendors agreed to sell the relevant Sale Shares set out opposite their respective names below and assign the benefit of the Sale Loans, and the Purchaser agreed to purchase the Sale Shares and take up the assignment of the Sale Loans:

<b>Vendors</b>	<b>No. of Sale Shares</b>
Vendor A	1,160 shares
Vendor B	220 shares
Vendor C	220 shares

Elite owns the entire interest in the Property. The Property is presently subject to a mortgage (“**Mortgage**”) in favour of SHACOM dated 29 June 2011, which will be released upon Completion.

In addition to the Mortgage, the Property is subject to certain existing tenancies. During the period between the execution of the Preliminary Agreement and Completion, the Vendors shall ensure that Elite shall not, among others, enter into, amend or terminate any tenancy, licence or lease agreement in respect of the Property (including the aforesaid existing tenancies) without the prior written consent of the Purchaser.

### **Consideration and payment terms**

The Consideration shall be an amount equal to the Initial Consideration (as defined below) as adjusted by the Adjustments.

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

- (a) an amount equal to HK\$375,000,000;
- (b) plus the amount of the Net Current Asset Value as set out in the Pro Forma Completion Accounts (if it is a positive amount) or minus the absolute value of the amount of the Net Current Asset Value as set out in the Pro Forma Completion Accounts (if it is a negative amount).

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

- (a) an initial deposit (“**Initial Deposit**”) in the amount of HK\$18,750,000 has been paid by the Purchaser to the Vendors’ solicitors on the date of the Preliminary Agreement;
- (b) a further deposit (“**Further Deposit**”) in the sum of HK\$37,500,000 (which, together with the Initial Deposit, shall represent 15% of the Initial Consideration and collectively referred to as the “**Deposits**”) shall be paid by the Purchaser to the Vendors’ solicitors upon the earlier of (i) 22 May 2017; or (ii) execution of the Formal Agreement;
- (c) an amount equal to the balance of the Initial Consideration after deducting the Deposits (the “**Completion Payment**”) shall be paid by the Purchaser at Completion in the following manner:
  - (i) a sum equal to the amount payable to SHACOM to fully release and discharge the Security Document(s) (including all further interest, prepayment fees, break funding fees and costs and expenses incurred by SHACOM for such release and discharge) (such total amount being the “**SHACOM Redemption Amount**”), as notified, directed and instructed by the Vendors to the Purchaser, shall be made payable directly to SHACOM; and
  - (ii) a sum equal to the balance of the Completion Payment (being the balance remaining after deducting the SHACOM Redemption Amount from the Completion Payment) shall be paid by the Purchaser to the Vendors’ solicitors; and
- (d) an amount in respect of the adjustment of the Initial Consideration shall be paid by the Purchaser or the Vendors (as the case may be) in accordance with the Adjustments,

provided that the Deposits shall be held by the Vendors’ solicitors as stakeholders and shall not be released to the Vendors until the later of:

- (1) the Vendors’ solicitors producing to the Purchaser such documentary evidence reasonably satisfactory to the Purchaser that the SHACOM Redemption Amount is less than the amount of the Completion Payment; and

- (2) the Vendors receiving the confirmation notice from the Purchaser on or before 22 May 2017 (or such other date as the Vendors and the Purchaser may agree in writing) confirming that it is satisfied or deemed to have been satisfied with the due diligence review in accordance with the terms of the Preliminary Agreement.

The Consideration was determined after arm's length negotiations and the Directors consider that the Consideration is fair and reasonable and in the interests of the Company and its shareholders as a whole.

### **Adjustment of Initial Consideration**

- (a) The Initial Consideration shall be subject to the following adjustments following agreement or determination of the Completion Accounts (the "**Adjustments**"):
  - (i) an amount (if any) by which the Net Current Asset Value (determined by reference to the Completion Accounts) is more than the Net Current Asset Value (as set out in the Pro Forma Completion Accounts) shall be added to the Initial Consideration; or
  - (ii) an amount (if any) by which the Net Current Asset Value (determined by reference to the Completion Accounts) is less than the Net Current Asset Value (as set out in the Pro Forma Completion Accounts) shall be deducted from the Initial Consideration.
- (b) Within 5 Business Days after agreement or determination of the Completion Accounts:
  - (i) if the Initial Consideration is increased pursuant to paragraph (a)(i) above, the Purchaser shall pay to the Vendors the amount of the increase; and
  - (ii) if the Initial Consideration is reduced pursuant to paragraph (a)(ii) above, the Vendors shall pay to the Purchaser the amount of the deduction.

### **Conditions precedent and warranties**

Completion is conditional upon the following conditions being satisfied on or before the Completion Date:

- (i) Elite being able to show and give a good title to the Property in accordance with sections 13 and 13A of the CPO;
- (ii) the Vendors collectively being the sole legal and beneficial owners of the Sale Shares free from all encumbrances;
- (iii) the Purchaser having undertaken a due diligence review of Elite and the Property and from which the Purchaser has not identified any issue(s) which may have a material adverse effect on the business, operations, assets, financial position or profits of Elite and/or the Property; and

- (iv) the warranties given by the Vendors to the Purchaser set out in the Preliminary Agreement remaining true, accurate and not misleading in all respects before and on the date on which Completion would otherwise have taken place if it were not for this condition.

The Purchaser may, to such extent as it thinks fit and is legally entitled to do so, at any time waive in writing any of the above conditions precedent.

## **Completion**

Subject to the satisfaction (or waiver, if applicable) of the conditions precedent set out above, Completion shall take place on the Completion Date, or on such other date as the Vendors and Purchaser may agree in writing. Upon Completion, the Purchaser and/or its nominee(s) shall become the legal and beneficial owner of the Sale Shares and the Sale Loans (free from all encumbrances). Neither the Purchaser nor the Vendors is obliged to complete the Acquisition unless the sale and purchase of the Sale Shares and the assignment of the Sale Loans are completed simultaneously.

Neither the Purchaser nor the Vendors is obliged to complete the Acquisition or perform any obligations under the Preliminary Agreement unless the other party complies fully with the requirements in respect of Completion set out in the Preliminary Agreement. If the respective obligations of the Purchaser and the Vendors are not complied with on Completion Date, the Purchaser or the Vendors may, by notice to the other party who is unable or unwilling to comply with its obligations under the Preliminary Agreement: (i) proceed to Completion as far as practicable; or (ii) terminate the Preliminary Agreement (“**Termination due to Non-Compliance**”).

## **Termination**

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

- (i) if the Purchaser elects to terminate the Preliminary Agreement due to the non-fulfilment of conditions precedent or Termination due to Non-Compliance, then the Vendors shall immediately upon demand by the Purchaser return all Deposits paid by the Purchaser without any interest or cost; and
- (ii) if the Vendors elect to terminate the Preliminary Agreement pursuant to Termination due to Non-Compliance, then the Deposits shall be forfeited to the Vendors as liquidated damages on the Completion Date.

## **Formal Agreement**

The Vendors and the Purchaser shall negotiate in good faith and use all reasonable endeavours to agree and enter into a formal agreement for sale and purchase (“**Formal Agreement**”) on or before 22 May 2017 (or such other date as the Vendors and the Purchaser may agree in writing), which shall reflect the principal terms contained in the Preliminary Agreement and incorporate other terms customary to the transactions similar to the one contemplated in the Preliminary Agreement.

In the event that the Vendors and the Purchaser shall fail to reach agreement on the terms of the Formal Agreement on or before 22 May 2017 (or such other date as the Vendors and the Purchaser may agree in writing), the Preliminary Agreement shall remain in full force and effect and the parties to the Preliminary Agreement shall continue to fulfil their respective obligations thereunder. Further announcement(s) will be made if and when the Formal Agreement is executed in compliance with the Listing Rules.

## **INFORMATION OF ELITE AND THE PROPERTY**

Elite is a property investment company. Set out below is the audited financial information of Elite for the financial years ended 31 March 2015 and 2016 respectively, extracted from its audited financial statements, prepared in accordance with the Hong Kong Financial Reporting Standards:

	<b>For the financial year ended 31 March 2015</b>	<b>For the financial year ended 31 March 2016</b>
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4,741	5,596
Net profit/(loss) before taxation	19,492	(3,916)
Net profit/(loss) after taxation	19,492	(4,274)

The unaudited total assets and the net asset value of Elite as at 28 February 2017 were approximately HK\$345,530,000 and HK\$150,174,000 respectively.

The Property is a commercial property.

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

The Property is being acquired for long-term investment purpose by way of receiving rental income from the tenants of the Property. The Directors consider that the acquisition of the Property through the Acquisition and its development will enable the Group to enlarge its properties portfolio with high quality assets and 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 its 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 is an investment holding company incorporated in Hong Kong, and is a wholly-owned subsidiary of the Company.

### **Information of the Vendors**

The Vendors are individuals who are third parties independent from the Company and its connected persons.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Acquisition is higher than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.



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

The Company has a closely allied group of shareholders which together hold approximately 50.78% of the total issued share capital of the Company as at the date of this announcement. Pursuant to Rule 14.44 of the Listing Rules, the Company has obtained written approval from Brentford Investments Limited which held 250,813,276 shares in the Company as at the date of this announcement (representing approximately 24.66% of the issued share capital of the Company), and from Fenmore Investments Limited which held 265,701,618 shares in the Company as at the date of this announcement (representing approximately 26.12% of the issued share capital of the Company), for the approval of the Acquisition. The said 250,813,276 shares of the Company held by Brentford Investments Limited are part of the property of a discretionary trust of which each of Messrs. James Lee Yuen Kui and Edward Lee Yuen Cheor is named beneficiary. The said 265,701,618 shares of the Company held by Fenmore Investments Limited are part of the property of a discretionary trust of which Mr. Jimmy Lee Yuen Ching and his family members including Mr. Loewe Lee Bon Chi's family members are named beneficiaries. Messrs. James Lee Yuen Kui and Edward Lee Yuen Cheor are brothers and they are cousins of Mr. Jimmy Lee Yuen Ching, who is the father of Mr. Loewe Lee Bon Chi. As such, no general meeting will be convened by the Company to approve such matters.

A circular containing, among other things, further details on the Acquisition and valuation report for the Property will be despatched to the shareholders of the Company on or before 13 April 2017.

## **GENERAL**

**As Completion of the Acquisition is subject to the fulfillment of the conditions precedent under the Preliminary Agreement, the Acquisition 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:

“Acquisition”	the acquisition of the Sale Shares and the Sale Loans by the Purchaser in accordance with the terms of the Preliminary Agreement
“Adjustments”	has the meaning as defined in the “Adjustment of Initial Consideration” section
“Board”	board of Directors of the Company
“Business Day(s)”	a day other than a Saturday or Sunday or days on which a typhoon signal no.8 or above or black rainstorm signal is in force in Hong Kong at 10:00 a.m., on which banks are open in Hong Kong to the general public for business
“Company”	National Electronics Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Acquisition in accordance with the terms of the Preliminary Agreement
“Completion Accounts”	the statement of financial position as at the close of business on the Completion Date for Elite procured to be prepared by the Vendors in accordance with the relevant requirements thereof set out in the Preliminary Agreement and agreed by or otherwise not disputed by the Purchaser in accordance with the Preliminary Agreement
“Completion Date”	22 September 2017 or such other date as the Vendors and the Purchaser may agree in writing on which Completion takes place
“Completion Payment”	has the meaning as defined in the “Consideration and payment terms section” section

“Consideration”	the consideration to be paid by the Purchaser for the Sale Shares and the benefit of the Sale Loans as specified in the Preliminary Agreement
“CPO”	Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong)
“Director(s)”	director(s) of the Company
“Deposits”	collectively, the Initial Deposit and the Further Deposit
“Elite”	Elite Bright Asia Pacific Limited (錦輝亞太有限公司), a company incorporated in Hong Kong with limited liability and which is wholly-owned by the Vendors as at the date of this announcement
“Formal Agreement”	has the meaning as defined in the “Formal Agreement” section
“Further Deposit”	has the meaning as defined in the “Consideration and payment terms” section
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Deposit”	has the meaning as defined in the “Consideration and payment terms” section
“Initial Consideration”	has the meaning as defined in the “Consideration and payment terms” section
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mortgage”	has the meaning as defined in the “Assets to be acquired” section
“Net Current Asset Value”	the total current assets of Elite (other than the value of the Property) minus total current liabilities of Elite (other than the liability in respect of the Sale Loans, the SHACOM Redemption Amount and deferred taxation liabilities) as at Completion as shown in the Pro Forma Completion Accounts or the Completion Accounts (as the case may be)

“Preliminary Agreement”	the preliminary sale and purchase agreement dated 22 March 2017 entered into between the Vendors and the Purchaser in relation to the Acquisition
“Pro Forma Completion Accounts”	the pro forma statement of financial positions of Elite as at close of business on the Completion Date procured to be prepared by the Vendors
“Property”	the piece or parcel of ground registered in the Land Registry of Hong Kong as Aberdeen Inland Lot No. 374 together with all the messuage, erection and building thereon known as Fifteenth Floor, One Island South, No. 2 Heung Yip Road, Hong Kong
“Purchaser”	Perfect Way Limited, a company incorporated in Hong Kong with limited liability and which is a wholly-owned subsidiary of the Company
“Sale Loans”	collectively, the loans owing by Elite to the relevant Vendors as at Completion, and “ <b>Sale Loan</b> ” means any one of them as the context may require
“Sale Shares”	1,600 ordinary shares in the capital of Elite, representing the entire issued share capital of Elite as at the date of this announcement
“Security Document(s)”	all those security document(s) which were provided as security for the SHACOM Loan, including the Mortgage
“SHACOM”	Shanghai Commercial Bank Limited
“SHACOM Loan”	the facility or facilities of up to the Completion Date granted by SHACOM to Elite and secured by (among others) the Mortgage and, where the context requires, the outstanding amount of the principal sum and any interest accrued thereon
“SHACOM Redemption Amount”	has the meaning as defined in the “Consideration and payment terms” section
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination due to Non-Compliance”	has the meaning as defined in the “Completion” section

“Vendors”

Vendor A, Vendor B and Vendor C, each a “Vendor”

“%”

per cent

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

Hong Kong, 22 March 2017

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