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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 BENTLEY INVESTMENTS LIMITED**

#### **THE ACQUISITION**

Reference is made to the announcement of the Company dated 22 March 2016 in relation to the MOU. The Board is pleased to announce that pursuant to the MOU, on 25 April 2016, the Purchaser, a wholly-owned subsidiary of the Company, entered into the SPA with the Vendor, pursuant to which the Vendor agreed to sell and assign, and the Purchaser agreed to purchase and take up the assignment of, the entire issued share capital of BIL and all the shareholders' loans owed by BIL to the Vendor as at Completion.

Subject to the Adjustments, the consideration payable by the Purchaser to the Vendor for the Acquisition is HK\$672,016,114.52.

#### **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 52.60% 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 17 May 2016.

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

Reference is made to the announcement of the Company dated 22 March 2016 in relation to the MOU. The Board is pleased to announce that pursuant to the MOU, on 25 April 2016, the Purchaser, a wholly-owned subsidiary of the Company, entered into the SPA with the Vendor, 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 Sale Loan.

## **THE SPA**

Date: 25 April 2016

Parties: (1) Cornes Properties Limited, as the Vendor  
(2) Baldrice Investments Limited, as the Purchaser

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

## **Assets to be acquired**

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 Sale Loan.

BIL owns the entire interest in the Property. The Property is presently subject to a mortgage (“**Mortgage**”) in favour of HSBC Private Bank (Suisse) SA dated 1 February 2013 and an Assignment of Mortgages (“**Assignment of Mortgages**”) in favour of HSBC dated 1 November 2013, both of which will be released upon Completion.

In addition to the Mortgage and the Assignment of Mortgages, the Property is subject to certain existing tenancies. During the period between the execution of the SPA and Completion, the Vendor shall ensure that BIL 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 approval of the Purchaser.

## **Consideration and payment terms**

Subject to the Adjustments, the consideration payable by the Purchaser for the Acquisition is HK\$672,016,114.52 (the “**Initial Purchase Price**”), which shall be payable by the Purchaser to the Vendor in the following manner:

- (a) an initial deposit (“**Initial Deposit**”) in the amount of HK\$33,400,000 has been paid by the Purchaser to the Vendor’s solicitors upon the execution of and in accordance with the terms of the MOU, which was released to the Vendor upon the execution of the SPA and shall represent initial deposit and part payment of the Purchase Price;
- (b) a further deposit (“**Further Deposit**”) in the sum of HK\$33,400,000 has been paid by the Purchaser to the Vendor upon the execution of the SPA, which shall represent further deposit and part payment of the Purchase Price;
- (c) an amount equal to the balance of the Initial Purchase Price after deducting the Deposits (the “**Completion Payment**”) shall be paid by the Purchaser at Completion in accordance with the SPA; and
- (d) an amount in respect of the adjustment of the Initial Purchase Price shall be paid by the Purchaser or the Vendor (as the case may be) in accordance with the Adjustments.

The part of the Purchase Price equivalent to the amount of the Sale Loan (if any) shall be treated as consideration for the Sale Loan, and the balance of the Purchase Price after deducting the repayments set out in the “Repayment of Loans” section below shall be the consideration for the Sale Shares.

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

## **Adjustment of Purchase Price**

- (a) The Purchase Price 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 HK\$4,016,114.52 shall be added to the Initial Purchase Price; or

- (ii) an amount (if any) by which the net current asset value (determined by reference to the Completion Accounts) is less than HK\$4,016,114.52 shall be deducted from the Initial Purchase Price.
- (b) Within 5 Business Days after agreement or determination of the Completion Accounts:
- (i) if the Initial Purchase Price is increased pursuant to paragraph (a)(i) above, the Purchaser shall pay to the Vendor the amount of the increase; or
  - (ii) if the Initial Purchase Price is reduced pursuant to paragraph (a)(ii) above, the Vendor shall pay to the Purchaser the amount of the reduction.

### **Default Interest**

If the Vendor or Purchaser fails to pay any sum due and payable by it under the SPA on the due date of payment, such defaulting party shall pay interest at the rate of 3% per annum above the prime rate of HSBC in Hong Kong dollars from time to time on the outstanding sum from the due date of payment until the actual date of payment.

### **Repayment of Loans**

In respect of the payment of the Completion Payment, the Purchaser shall pay, or procure to be paid, out of the Completion Payment, as repayment on behalf of BIL, no later than upon Completion:

- (i) in favour of HSBC, Hong Kong Private Banking Division for the account of BIL, such amount equivalent to the amount of the total redemption money in respect of the HSBC Loan as at the Completion Date for the release or discharge of the securities thereunder (including, among others, the Mortgage and Assignment of Mortgages); and
- (ii) in favour of the Vendor, such amount (as the Purchaser may decide in its sole discretion and the Purchaser shall notify the Vendor of such decision no later than 5 Business Days before the Completion Date) as repayment of the Shareholder Loan in full or in part; and
- (iii) in favour of the Vendor, the remainder of the Completion Payment,

provided that, no later than 10 Business Days before the Completion Date, the Vendor shall notify the Purchaser of:

- (i) the amount of the total redemption money in respect of the HSBC Loan payable to HSBC as at the Completion Date for the release or discharge of the securities thereunder (including, among others, the Mortgage and Assignment of Mortgages), and shall provide a copy of HSBC's confirmation of such amount to the Purchaser; and
- (ii) the amount of the Shareholder Loan, and shall provide such documentary evidence as the Purchaser may reasonably require to verify such amount.

### **Conditions precedent and warranties**

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

- (i) BIL being able to show and give a good title to the Property in accordance with sections 13 and 13A of the CPO, provided that, upon the execution of the SPA, the Purchaser has been deemed to have accepted BIL's title to the Property as at the date of the SPA, and this condition shall be deemed to have been satisfied to the extent of such acceptance of title, but without prejudice to the Purchaser's rights to raise requisitions or objections on any encumbrance or title deeds and documents of the Property which is/are created or arises out of events occurring after the date of the SPA but before Completion that may affect title to the Property; and
- (ii) the representations and warranties given by the Vendor to the Purchaser set out in the SPA remaining true in all respects before and on the date on which Completion would otherwise have taken place if it were not for this condition, except for breaches of such representations and warranties that have not had and would not reasonably be expected to have a material adverse effect on the business, operations or financial position of BIL and/or the Property taken as a whole (subject to certain exceptions).

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.

## **Specific Indemnities**

The Vendor has undertaken to pay to and indemnify the Purchaser in respect of any and all losses which may be incurred by any of the Purchaser or BIL arising out of or in connection with:

- (i) any outstanding structural engineering services fee incurred by BIL during the development of the Property up to HK\$203,175;
- (ii) any outstanding compensation payable to the former tenant in respect of a certain unit in the Property up to HK\$5,000; and
- (iii) any outstanding security deposit payable to the former tenants in respect of the 1st Floor and 2nd Floor of the Property up to HK\$170,494.22 in the aggregate,

in each case, to the extent the relevant amount(s) have not been included in the Completion Accounts as liabilities.

## **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 Vendor and Purchaser may agree in writing. Upon Completion, the Purchaser will become the sole legal and beneficial owner of the Sale Shares and the Sale Loan. Neither the Purchaser nor the Vendor is obliged to complete the Acquisition unless the sale and purchase of the Sale Shares and the assignment of the Sale Loan are completed simultaneously.

Neither the Purchaser nor the Vendor is obliged to complete the Acquisition or perform any obligations under the SPA unless the other party complies fully with the requirements in respect of Completion set out in the SPA. If the respective obligations of the Purchaser and the Vendor are not complied with on the Completion Date, the Purchaser or the Vendor may, by notice to the other party who is unable or unwilling to comply with its obligations under the SPA: (i) postpone Completion to a date (being a Business Day) falling not more than 20 Business Days after the date set for Completion; (ii) proceed to Completion as far as practicable; or (iii) terminate the SPA (“**Termination due to Non-Compliance**”).

## Termination

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

- (i) if the Purchaser elects to terminate the SPA due to the non-fulfilment of conditions precedent or Termination due to Non-Compliance (such non-compliance being caused by the Vendor), then the Vendor shall within 5 Business Days after the date set for Completion return all Deposits paid by the Purchaser without any interest or cost; and
- (ii) if the Vendor elects to terminate the SPA in accordance with Termination due to Non-Compliance (such non-compliance being caused by the Purchaser), then the Deposits shall be forfeited to the Vendor on the date set for Completion.

## INFORMATION OF BIL AND THE PROPERTY

BIL is an investment holding company. Set out below is the audited/unaudited financial information of BIL for the financial years ended 31 December 2014 and 2015 respectively, extracted from its audited/unaudited financial statements, prepared in accordance with the Hong Kong Financial Reporting Standards:

	<b>For the financial year ended 31 December 2014</b> <i>(Audited)</i> <i>HK\$'000</i>	<b>For the financial year ended 31 December 2015</b> <i>(Unaudited)</i> <i>HK\$'000</i>
Revenue	12,053	13,036
Net profit before taxation	13,665	5,106
Net profit after taxation	13,665	5,106

The unaudited total assets and the net asset value of BIL as at 29 February 2016 were approximately HK\$570,769,000 and HK\$86,105,000 respectively.

The Property is a residential investment 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, 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 VENDOR**

### **Information of the Company**

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

### **Information of the Purchaser**

The Purchaser is an investment holding company incorporated in the British Virgin Islands, and is a wholly-owned subsidiary of the Company.

### **Information of the Vendor**

The Vendor is an investment holding company incorporated in Hong Kong.

## **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 52.60% 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 260,813,276 shares in the Company as at the date of this announcement (representing approximately 25.57% of the issued share capital of the Company), and from Fenmore Investments Limited which held 275,701,618 shares in the Company as at the date of this announcement (representing approximately 27.03% of the issued share capital of the Company), for the approval of the Acquisition. The said 260,813,276 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 275,701,618 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 17 May 2016.

## **GENERAL**

**As Completion of the Acquisition is subject to the fulfillment of the conditions precedent under the SPA, 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 Loan by the Purchaser in accordance with the terms of the SPA
“Adjustments”	has the meaning as defined in the “Adjustment of Purchase Price” section
“Assignment of Mortgages”	has the meaning as defined in the “Assets to be acquired” section
“Board”	board of Directors
“BIL”	Bentley Investments Limited, a company incorporated in Hong Kong with limited liability and which is wholly-owned by the Vendor as at the date of this announcement
“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 SPA
“Completion Accounts”	the statement of financial position as at the close of business on the Completion Date for BIL prepared in accordance with the relevant requirements thereof set out in the SPA
“Completion Date”	25 July 2016 or such other date as the Vendor and the Purchaser may agree in writing on which Completion takes place
“Completion Payment”	has the meaning as defined in the “Consideration and payment terms” section

“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
“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
“HSBC”	the Hongkong and Shanghai Banking Corporation Limited
“HSBC Loan”	the facility of up to HK\$212,000,000.00 granted by HSBC Private Bank (Suisse) SA to BIL which was subsequently assigned to HSBC and secured by (among others) the Mortgage and the Assignment of Mortgages and, where the context requires, the outstanding amount of the principal sum and any interest accrued thereon
“Initial Deposit”	has the meaning as defined in the “Consideration and payment terms” section
“Initial Purchase Price”	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
“MOU”	the memorandum of understanding dated 22 March 2016 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Property”	the piece or parcel of ground registered in the Land Registry of Hong Kong as Rural Building Lot No. 801 together with all the messuage, erection and building thereon known as No. 3 South Bay Close, Hong Kong

“Purchaser”	Baldric Investments Limited, a company incorporated in the British Virgin Islands with limited liability and which is a wholly-owned subsidiary of the Company
“Purchase Price”	an amount equaled to the Initial Purchase Price as adjusted by the Adjustments
“Sale Loan”	the remaining outstanding amount (if any) of the Shareholder Loan following the repayments contemplated under the “Repayment of Loans” section
“Sale Shares”	10,000 ordinary shares of BIL, representing the entire issued share capital of BIL as at the date of this announcement
“Shareholder Loan”	the loan owing by BIL to the Vendor immediately before Completion
“SPA”	the formal sale and purchase agreement dated 25 April 2016 entered into between the Vendor and the Purchaser in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination due to Non-Compliance”	has the meaning as defined in the “Completion” section
“Vendor”	Cornes Properties Limited, a company incorporated in Hong Kong with limited liability
“%”	per cent

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

Hong Kong, 25 April 2016

*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.*