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## **NATIONAL ELECTRONICS HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 213)**

### **MAJOR TRANSACTION MEMORANDUM OF AGREEMENT IN RELATION TO A MAJOR DISPOSAL**

#### **THE PROPOSED DISPOSAL**

The Board is pleased to announce that on 18 December 2017, the Purchaser entered into a legally binding MOA with the Vendor, a wholly-owned subsidiary of the Company, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Shares and the Debt.

Subject to the dollar-for-dollar adjustment based on the net asset value of the Target Group Companies, the aggregate consideration for the Proposed Disposal is HK\$500,000,000, which was determined with reference to the agreed value of the Property.

Subject to the satisfaction of certain conditions, the SPA shall be agreed and entered into by the expiry of the Exclusivity Period.

#### **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Proposed Disposal is expected to be higher than 25% but less than 75%, the Proposed Disposal will constitute 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 50.81% 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 a written approval from such closely allied group of Shareholders, for the approval of the transactions contemplated under the SPA.

Further announcement(s) will be made when the SPA is executed in compliance with the Listing Rules. A circular containing, among other things, further details on the Proposed Disposal and valuation report for the Property will be despatched to the Shareholders as soon as practicable thereafter in accordance with the requirements of the Listing Rules.

**As Completion of the Proposed Disposal is subject to the fulfillment of the conditions precedent under the SPA, the Proposed 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.**

## **MAJOR TERMS OF THE MEMORANDUM OF AGREEMENT IN RESPECT OF THE PROPOSED DISPOSAL**

The Board is pleased to announce that on 18 December 2017, the Purchaser entered into a legally binding MOA with the Vendor, a wholly-owned subsidiary of the Company, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Shares and the Debt.

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

### **Assets to be disposed of**

Pursuant to the MOA, the Vendor agrees to sell the Sale Shares and assign the Debt, and the Purchaser, subject to its satisfactory due diligence on the Target Group Companies and the Property, agrees to purchase the Sale Shares and take up the assignment of the Debt.

PHL owns all of the issued shares of PWL, PWL in turn owns all of the issued shares of EBAPL, and EBAPL in turn owns the entire interest in the Property. The Property is presently subject to a mortgage (the “**Mortgage**”) in favour of Nanyang Commercial Bank, Limited dated 3 October 2017 which will be released upon Completion.

The Property shall be sold on an “as-is” basis, partly subject to and with the benefit of the existing tenancies and partly with vacant possession.

## Consideration

Subject to the dollar-for-dollar adjustment based on the net asset value of the Target Group Companies, the aggregate consideration for the Proposed Disposal is HK\$500,000,000 (the “**Purchase Price**”), which was determined with reference to the agreed value of the Property and shall be payable by the Purchaser to the Vendor in the following manner:

- (a) HK\$20,000,000 as initial deposit (the “**Initial Deposit**”) to the Vendor’s solicitors as stakeholder upon signing of the MOA, which shall be: (1) released to the Vendor upon the earlier of (i) signing of the SPA; and (ii) expiry of the Exclusivity Period; or (2) returned to the Purchaser in one lump sum without any cost, interest or compensation forthwith by the Vendor’s solicitors in the event that the Purchaser issues a notice in writing to the Vendor and the Vendor’s solicitors (the “**Termination Notice**”) on or before the expiry of the Exclusivity Period (and prior to the entering into of the SPA between the Parties) that it is not satisfied with the results of its due diligence investigation on the Target Group Companies and/or the Property on any of the following basis and does not intend to proceed with the Proposed Disposal:
  - (i) the Purchaser discovered issue(s) or matter(s) which would result in material adverse effect to any Target Group Company and/or the Property for a monetary value in excess of HK\$20,000,000 and that the Vendor is not prepared to make adjustment of the Purchase Price as reasonably approved by the Purchaser based on such issue(s) or matter(s) or that the Vendor fails to rectify such material defects to the Purchaser’s reasonable satisfaction; and/or
  - (ii) any breach of certain specified Vendor’s warranties set out in the MOA (any of (i) or (ii), a “**Material Due Diligence Issue**”);
- (b) HK\$30,000,000 as further deposit (the “**Further Deposit**”) (which, together with the Initial Deposit, shall constitute 10% of the Purchase Price) to the Vendor and/or the Vendor’s solicitors as agent for the Vendor upon the earlier of (i) signing of the SPA; and (ii) expiry of the Exclusivity Period, as part of the deposit of the Purchase Price; and
- (c) subject to the adjustment of the Purchase Price with reference to the net asset value of the Target Group Companies at Completion, the Purchaser shall, at Completion, pay the balance of the Purchase Price, being HK\$450,000,000, to the Vendor and any entity notified by the Vendor to the Purchaser in writing at least three clear business days before Completion.

Upon the failure of the Purchaser to pay the Further Deposit or to complete the Proposed Disposal pursuant to the terms of the MOA or the SPA (if signed), the Initial Deposit and the Further Deposit (if paid) shall be forfeited to the Vendor.

Upon the failure of the Vendor to complete the Proposed Disposal pursuant to the terms of the MOA or the SPA (if signed), the Initial Deposit and the Further Deposit (if paid) shall be refunded by the Vendor to the Purchaser.

### **Conditions for Execution of SPA**

The Parties shall negotiate in good faith and use all reasonable endeavours to negotiate and, subject to the satisfaction of the condition below, conclude and enter into the SPA (which shall incorporate all principal terms set out in the MOA to the extent applicable and such other terms as mutually agreed by the Parties) and on or before the expiry of the Exclusivity Period.

Execution of the SPA is conditional on there being no Material Due Diligence Issue discovered or identified from the Purchaser's due diligence investigation during the Exclusivity Period. In the event that the SPA is not entered into between the Parties by the expiry of the Exclusivity Period, the MOA shall continue to be valid and legally binding on the Parties.

### **Conditions precedent and warranties**

The SPA shall contain, among others, the following key warranties given by the Vendor in favour of the Purchaser:

- (a) the Vendor, as the legal and beneficial owner of PHL, has the right, power and authority to sell the Sale Shares and to assign the Debt and to perform the Proposed Disposal;
- (b) EBAPL has good title to the Property and would be able to give good title to the Property in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong);
- (c) the Sale Shares and the Debt are free from any debt, loan, liabilities, options, liens, charges, claims, agreements, equities and encumbrances and other third party rights of any nature whatsoever (collectively, the “**Encumbrances**”) upon Completion;

- (d) PHL owns PWL, PWL owns EBAPL and EBAPL owns the Property; and
- (e) upon Completion, each of PWL, EBAPL and the Property will be free from Encumbrances (other than any intercompany loan(s) between the Target Group Companies and any Encumbrances which have been provided for in the completion accounts and/or otherwise provided in the SPA).

### **Completion**

Completion of the Proposed Disposal is expected to take place within 3 months after the date of the MOA or such other date as mutually agreed between the Parties in writing and shall take place in Macau. Upon Completion, the Purchaser will be the legal and beneficial owner of the Sale Shares and the Debt.

### **Due Diligence**

The Purchaser and its representatives will be entitled to carry out a due diligence investigation of the Target Group Companies and the Property during the Exclusivity Period, which will cover, among the other things, legal (including the title deeds to the Property), financial and commercial matters, and physical inspection of the Property.

The Purchaser's due diligence investigation should be completed by the expiry of the Exclusivity Period.

### **Exclusivity and Confidentiality**

The exclusivity period under the MOA during which, among others, the Purchaser shall have an exclusive right to negotiate the Proposed Disposal is the period commencing from the date of the MOA until the earlier of (i) the expiry of 25 business days (or such other date as agreed between the Parties in writing) from the date of the MOA; (ii) the termination of the negotiations between the Vendor and the Purchaser relating to the Proposed Disposal by either Party as a result of any breach of the binding provisions of the MOA by the other Party; and (iii) the issuance of the Termination Notice by the Purchaser to the Vendor and the Vendor's solicitors prior to the entering into of the SPA between the Parties (the "**Exclusivity Period**").

The Purchaser and the Vendor shall not disclose, among others, the existence of the MOA, the terms of the Proposed Disposal or the status of the negotiations thereof to any third party, save to each Party's respective representatives, professional advisers and/or financiers and save where required by applicable laws or regulations or any legal or regulatory authority and/or stock exchange.

## **Legal Effect and Time of the Essence**

The MOA is intended to be legally binding and time shall be of the essence.

## **Termination**

Unless otherwise agreed in writing by the Parties, the MOA shall terminate upon the earlier of: (i) the execution of the SPA; and (ii) issuance of the Termination Notice by the Purchaser during the Exclusivity Period but prior to the signing of the SPA.

## **INFORMATION OF THE TARGET GROUP COMPANIES AND THE PROPERTY**

Each of the Target Group Companies is an investment holding company.

Set out below is the unaudited consolidated financial information of the Target Group Companies for the financial years ended 31 March 2016 and 2017 respectively:

	<b>For the financial year ended 31 March 2016 <i>(Unaudited)</i> HK\$'000</b>	<b>For the financial year ended 31 March 2017 <i>(Unaudited)</i> HK\$'000</b>
Revenue	5,596	5,636
Net (loss) / profit before taxation	(3,916)	68,284
Net (loss) / profit after taxation	(4,274)	67,564

The unaudited consolidated total assets and the net asset value of the Target Group Companies as at 30 November 2017 were approximately HK\$432,678,000 and HK\$50,345,000, respectively.

The Property is a commercial property.

## **FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL**

It is expected that the Group will record a gain of approximately HK\$64,428,000 on completion of the Proposed Disposal after taking into account of the related expenses of approximately HK\$6,000,000 payable by the Group in connection with the Proposed Disposal. Such gain is calculated by reference to the unaudited consolidated net asset value of the Target Group Companies as at 30 November 2017.

Upon Completion, all of the Target Group Companies will cease to be subsidiaries of the Company and the accounts of each of the Target Group Companies and the Property will no longer be consolidated into the financial statements of the Company thereafter.

## **USE OF PROCEEDS**

The Group currently intends to use the net proceeds from the Proposed Disposal for general working capital purposes.

## **REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL**

Having regard to the prevailing market conditions, the Directors consider that the Proposed Disposal provides a good opportunity for the Group to realise its investment and enhance the liquidity of the Group.

The Directors consider that the Proposed Disposal 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.

## **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 principally engaged in a range of securities trading activities and provision of investment services.

### **Information of the Vendor**

The Vendor is an investment holding company.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Proposed Disposal is expected to be higher than 25% but less than 75%, the Proposed Disposal will constitute 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 or any of their respective associates have any material interest in the Proposed Disposal. As such, no Shareholder 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 50.81% 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 a written approval from Americus Holdings Limited which held 250,813,276 Shares as at the date of this announcement (representing approximately 24.67% of the issued share capital of the Company), and from Fenmore Investments Limited which held 265,701,618 Shares as at the date of this announcement (representing approximately 26.14% of the issued share capital of the Company), for the approval of the Proposed Disposal. Americus Holdings Limited is a company wholly-owned by Mr. Jimmy Lee Yuen Ching. The said 265,701,618 Shares 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 are named beneficiaries. Mr. Jimmy Lee Yuen Ching is the father of Mr. Loewe Lee Bon Chi. As such, no general meeting will be convened by the Company to approve such matters.

Further announcement(s) will be made when the SPA is executed in compliance with the Listing Rules. A circular containing, among other things, further details on the Proposed Disposal and valuation report for the Property will be despatched to the Shareholders as soon as practicable thereafter in accordance with the requirements of the Listing Rules.

## **GENERAL**

**As Completion of the Proposed Disposal is subject to the fulfillment of the conditions precedent under the SPA, the Proposed Disposal may or may not proceed to Completion. Accordingly, shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**



## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meanings given to them as below:

“Board”	board of Directors of the Company
“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 Proposed Disposal
“Director(s)”	director(s) of the Company
“Debt”	all the shareholders’ loans owed by PHL to the Vendor as at Completion
“EBAPL”	Elite Bright Asia Pacific Limited, a company incorporated under the laws of Hong Kong
“Encumbrances”	has the meaning as defined in the “Conditions precedent and warranties” section
“Exclusivity Period”	has the meaning as defined in the “Exclusivity and Confidentiality” section
“Further Deposit”	has the meaning as defined in the “Consideration” 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” section
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Material Due Diligence Issue”	has the meaning as defined in the “Consideration” section
“Mortgage”	has the meaning as defined in the “Assets to be disposed of” section

“MOA”	the memorandum of agreement dated 18 December 2017 and entered into between the Purchaser and the Vendor in relation to the Proposed Disposal
“Parties”	means the Vendor and the Purchaser
“PHL”	Purplefield Holdings Limited, a company incorporated under the laws of British Virgin Islands and which is wholly-owned by the Vendor as at the date of this announcement
“Property”	the 2,312 equal undivided 65,889th parts or shares of and in all that piece or parcel of land, and of and in the messuages erections and buildings on the land now known as One Island South, No.2 Heung Yip Road, Hong Kong, together with the sole and exclusive right to the use occupation and enjoyment of all those offices nos. 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 19, 20, 21, 22, 23, 25, 26, 27, 28, 29 and 30 and the lavatories and lift lobby and corridor on the 15th floor of One Island South
“Proposed Disposal”	the disposal of the Sale Shares and the Debt by the Vendor to the Purchaser
“Purchase Price”	has the meaning as defined in the “Consideration” section
“Purchaser”	a company the shares of which are listed on the Main Board of the Stock Exchange
“PWL”	means Perfect Way Limited, a company incorporated under the laws of Hong Kong and which is a wholly-owned subsidiary of the Vendor as at the date of the announcement
“Sale Shares”	100 ordinary shares of PHL, being the entire issued share capital of PHL as at the date of this announcement
“Shareholder(s)”	shareholder(s) of the Company
“SPA”	the formal sale and purchase agreement for the sale and purchase of the Sale Shares and the assignment of the Debt

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group Companies”	collectively, PHL, PWL and EBAPL
“Termination Notice”	has the meaning as defined in the “Consideration” section
“Vendor”	Pioneer Marvel Global Limited, a company incorporated in the British Virgin Island and which is a wholly-owned subsidiary of the Company as at the date of the announcement
“%”	per cent

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

Hong Kong, 19 December 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.*