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NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

MAJOR TRANSACTION DISPOSAL OF PROPERTY

THE DISPOSAL

The Board is pleased to announce that after trading hours on 6 March 2019, the Vendor (a wholly-owned subsidiary of the Company), and the Purchasers entered into the SPA, pursuant to which the Vendor has agreed to sell and the Purchasers have agreed to purchase the Property at a consideration of CAD107,000,000 (exclusive of harmonized sales tax and subject to adjustments) in cash.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) for the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company has a closely allied group of shareholders which together hold approximately 50.67% 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 had obtained a written approval from such closely allied group of shareholders, for the approval of the Disposal as at the date of this announcement. As such, no general meeting will be convened by the Company to approve the Disposal.

A circular containing, among other things, further details on the Disposal, valuation report for the Property and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 27 March 2019.

As completion of the Disposal is subject to the fulfillment of the conditions 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.

INTRODUCTION

The Board is pleased to announce that after trading hours on 6 March 2019, the Vendor (a wholly-owned subsidiary of the Company), and the Purchasers entered into the SPA, pursuant to which the Vendor has agreed to sell and the Purchasers have agreed to purchase the Property.

BACKGROUND

The Property forms part of a larger development site situated at 88 Queen Street East in Toronto, Canada, which is solely owned by the Vendor. The site comprises the Phase I Lands, the Property and the Building D and E Lands. The subject matter disposed of is the Property only. It is intended that the Property be severed and conveyed to the Purchasers separately from the Phase I Lands and the Building D and E Lands.

THE SPA

The principal terms of the SPA are summarised as follows:

Date

6 March 2019 (after trading hours)

Parties

- (1) Vendor: Queen Developments Inc.
- (2) Purchasers: (a) Fitzrovia; and
(b) AIMCo.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Purchasers and their ultimate shareholder(s) are third parties independent of and not connected with the Company and its connected persons.

Property to be disposed of under the SPA

The Property is a portion of lands and premises located at 88 Queen Street East, Toronto, Canada, which comprises Building B and Building C, and which will comprise approved above grade gross floor area of approximately 47,440 square metres, and below grade carparks. The Property is a residential / commercial property.

The Vendor is the sole registered owner of the Property. The Property comprises of a building lot for redevelopment which is currently leased for rental income. The

revenue of the Property for the year ended 31 March 2017 and 31 March 2018 were approximately CAD518,000 and CAD371,000 respectively. The net profit of the Property for the year ended 31 March 2017 and 31 March 2018 were approximately CAD518,000 and CAD260,000 respectively.

Consideration and payment terms

The Consideration for the Disposal is CAD107,000,000 (exclusive of harmonized sales tax), which shall be payable by the Purchasers to the Vendor in cash by wire transfer on Closing, subject to the Adjustments, in the following manners:

- (a) an initial deposit (the “**Initial Deposit**”) in the sum of CAD7,000,000 which has been paid by the Purchasers to the Vendor’s solicitors, in trust, in accordance with the terms of the SPA;
- (b) a further deposit (the “**Further Deposit**”) in the sum of CAD3,000,000 is payable to the Vendor’s solicitors by wire transfer, bank draft or certified cheque, in trust, within three Business Days after the date of execution of the SPA, to be held in accordance with the terms of the SPA; and
- (c) the balance of the Consideration of CAD97,000,000, subject to the Adjustments, by wire transfer on the Closing Date.

The Deposit (together with all interest earned thereon) shall be returned immediately to the Purchasers if Closing does not take place by the Closing Date, other than by virtue of any default of the Purchasers under the SPA.

The Consideration was determined after arm’s length negotiations between the Vendor and the Purchasers with reference to, among other things, the value of the Property and the Directors consider that the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Adjustments to the balance of the Consideration

The balance of the Consideration shall be adjusted on Closing all items of income and expense relating to the Property and usual in transactions of this nature established by the usual practice in Southern Ontario for the purchase and sale of development property including, without limitation, the following items (collectively, the “**Adjustments**”):

- (a) realty taxes and local improvement rates and charges; and
- (b) all other items reasonably capable and, subject to the provisions of the SPA, normally the subject of adjustment in connection with the ownership and operation of the Property in a similar transaction.

The Adjustments shall be made as of Closing on an accrual basis.

Conditions

Closing is conditional upon the following conditions being satisfied (or waived by the parties to the SPA) on or the date specified therefor:

- (a) on or before the Final Date, the PA Consent has been obtained in final form, the PA Certificate has been obtained, and a Termination Notice has not been delivered;
- (b) on the Closing Date, the representations and warranties set forth in the SPA shall be true and correct in all material respects with the same effect as if made on Closing and each of the parties to the SPA shall have delivered a certificate to this effect; and
- (c) on Closing, all of the terms, covenants and conditions of the SPA to be complied with or performed by the parties to the SPA shall have been complied with in all material respects, unless otherwise varied, waived or otherwise provided for by the other parties to the SPA.

If a condition set out above is not satisfied or waived in accordance with the SPA:

(i) then the SPA shall be terminated and null and void without prejudice to the right of any party to pursue remedies against the other relating to any breach of the SPA by the other party which resulted in the non-satisfaction of such conditions; and (ii) other than as a result of a default by the Purchasers under the SPA (in which event the Deposit and all accrued interest shall forthwith be paid to the Vendor), the Deposit and all interest accrued thereon shall be immediately returned to the Purchasers.

Closing of the SPA is also conditional upon approval by the Shareholders for the Disposal in accordance with the Listing Rules and other applicable laws and regulations.

As at the date of this announcement, the Company has already obtained the written shareholders' approval from Americus Holdings Limited and Fenmore Investments Limited, who collectively hold approximately 50.67% of the issued share capital of the Company as at the date of this announcement, details of which are set out in the section headed "Listing Rules Implications" of this announcement below.

Closing

Subject to the satisfaction (or waiver, if applicable) of the conditions set out above, Closing shall take place on the Closing Date.

Upon Closing, the Vendor shall deliver vacant possession of the Property to the Purchasers.

FINANCIAL EFFECTS OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

The book value of the Property as at the date of the unaudited management accounts of the Group as at 28 February 2019 amounted to approximately CAD56,700,000. Based on the Consideration of CAD107,000,000, the Group is expected to receive a gain on the Disposal of approximately CAD34,300,000 after deduction of the related expenses of approximately CAD900,000.

The Company intends to use the net proceeds from the Disposal for general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

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 its Shareholders as a whole.

INFORMATION OF THE COMPANY, THE PURCHASERS 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 and investment and hotel operation.

Information of the Vendor

The Vendor is an investment holding company.

Information of the Purchasers

Fitzrovia is an integrated developer and asset manager of class A rental apartments based in Toronto, Canada.

AIMCo is an asset manager for 9 public sector pension funds, the Alberta Heritage fund as well as some special purpose government funds in Canada.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) for the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the announcement, reporting 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 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 such matters.

The Company has a closely allied group of shareholders which together hold approximately 50.67% 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 had obtained a written approval from Americus Holdings Limited which held 250,813,276 shares in the Company as at the date of this announcement (representing approximately 24.60% 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 26.06% of the issued share capital of the Company), 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 and 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 such matters.

A circular containing, among other things, further details on the Disposal, valuation report for the Property and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 27 March 2019.

GENERAL

As completion of the Disposal is subject to the fulfillment of the conditions 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.

DEFINITIONS

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

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| “Adjustments” | has the meaning as defined in the “Adjustments to the balance of the Consideration” section herein |
| “Board” | the board of Directors |
| “Building B” | one of the two buildings to be constructed on the Property |
| “Building C” | one of the two buildings to be constructed on the Property |
| “Building D” | one of the two buildings to be constructed on the Building D and E Lands |
| “Building E” | one of the two buildings to be constructed on the Building D and E Lands |
| “Building D and E Lands” | the lands shown crossed hatched on the schedule to the SPA and identified as “Building D and E Lands” |
| “Business Day” | any day other than Saturday, Sunday or a statutory holiday in Ontario or Alberta, Canada |
| “CAD” | Canadian Dollars, the lawful currency of Canada |
| “Closing” | the completion of the Disposal in accordance with the terms of the SPA |
| “Closing Date” | 30 days following the date the PA Certificate has been obtained. Notwithstanding the foregoing, in no event the Closing Date be later than 30 days following the Final Date |
| “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 |
| “Consideration” | the consideration of CAD107,000,000, being the purchase price for the Property payable by the Purchasers to the Vendor in respect of the Disposal in cash |

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| “Deposit” | collectively, the Initial Deposit and the Further Deposit |
| “Director(s)” | director(s) of the Company |
| “Disposal” | the disposal of the Property by the Vendor to the Purchasers pursuant to the terms and conditions of the SPA |
| “Final Date” | 12 months following the date of execution of the SPA as such date may be extended under the SPA |
| “Further Deposit” | has the meaning as defined in the “Consideration and payment terms” section herein |
| “Group” | collectively, the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Initial Deposit” | has the meaning as defined in the “Consideration and payment terms” section herein |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PA Certificate” | a certificate of PA Consent under section 53(21) of the Planning Act, Ontario, Canada |
| “PA Consent” | a consent under section 53 of the Planning Act, Ontario, Canada, severing the Property from the Building D and E Lands, that has the result of permitting the Property to be conveyed to the Purchaser separately from the Phase I Lands and the Building D and E Lands in accordance with the SPA in compliance with the subdivision control provisions of the Planning Act, including without limitation all benefitting and burdening easements described in the site related agreements |
| “Phase I Lands” | Lots 1 to 8 inclusive, Plan 73E, part Lots 9 and 10 W/S Mutual Street and Lots 10, 11 and 12 and part of Lots 8 and 9 E/S of Dalhousie Street Plan 22A, designated as Parts 1, 2, 3, 5, 6, 7, 8, 9 and 11 on Reference Plan 66R-29665 |

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| “Property” | a portion of lands and premises legally described as Part of Lots 1, 2, 3, 6, 7 and Part of Lots 8 and 9, east side of Dalhousie Street, Plan 22A; Part of Lots 1, 2, 3, 4, 5 and 6 and allowance for lane, Plan D-26 and Part of Lots 1, 2, 3, 6, 7 and 8 and Part of Lot 9, west side of Mutual Street, Plan 22A, designated as part of Parts 4 and 10 on Plan 66R-29665; confirmed by BA1092 registered as CT257819; City of Toronto, Canada, being part of PIN 21098-0275(LT), which comprise Building B and Building C as further detailed in the “Property to be disposed of under the SPA” section herein |
| “Fitzrovia” | Fitzrovia Acquisitions Inc., a corporation registered in the province of Ontario, Canada |
| “AIMCo” | AIMCo Realty Investors LP, a corporation registered in provinces of Manitoba, Ontario, British Columbia, Alberta and Quebec, Canada |
| “Purchasers” | collectively Fitzrovia and AIMCo |
| “Shareholders” | the shareholder(s) of the Company |
| “SPA” | the agreement of purchase and sale dated 6 March 2019 entered into between the Vendor and the Purchasers in respect of the Disposal |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Termination Notice” | a written notice which the impacted party may serve to the other party to the SPA to terminate the SPA on or before the expiry of a five Business Day period from the date of receipt of the PA Consent, in the event that the PA Consent contains a condition (i) that the Vendor’s cost to satisfy is not commercially reasonable or customary for a transaction of this nature; (ii) that materially and adversely affect the Building D and E Lands; and/or (iii) that will materially and adversely affect the Property following Closing |

“Vendor” Queen Developments Inc., a company incorporated in Canada with limited liability, and a wholly-owned subsidiary of the Company

“%” per cent

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

Hong Kong, 6 March 2019

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