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NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF LEASEHOLD PROPERTY

THE ACQUISITION

The Board is pleased to announce that on 15 October 2020 (after trading hours of the Stock Exchange), the Vendor (being an Independent Third Party) and the Purchaser (being an indirect wholly-owned subsidiary of the Company) entered into the SPA, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Leasehold Property for a total consideration of £8,500,000.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 15 October 2020 (after trading hours of the Stock Exchange), the Vendor and the Purchaser entered into the SPA, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Leasehold Property.

THE SPA

Date: 15 October 2020 (after trading hours of the Stock Exchange)

Parties:

Vendor: 503 Burlington Investments Worldwide Limited

Purchaser: Cheer Rise Global Limited, an indirect wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner is an Independent Third Party.

Assets to be acquired

Pursuant to the SPA, the Vendor agreed to sell, and the Purchaser agreed to purchase, the Leasehold Property for a total consideration of £8,500,000 (the "**Purchase Price**"). The residue of the term of years granted by the Leases with respect to the Acquisition is approximately 995 and a half years.

Purchase price and payment terms

The Purchase Price shall be £8,500,000, which shall be paid by the Purchaser in cash to the Vendor in the following manner:

- (a) £850,000 has been paid upon the signing of the SPA as deposit to solicitors of the Vendor as stakeholder on terms that the deposit is paid to the Vendor upon Completion; and
- (b) £7,650,000 shall be paid upon completion of the Acquisition on or before 30 October 2020 as balance of the Purchase Price.

The Purchase Price was determined after arm's length negotiation between the Vendor and the Purchaser with reference to, among other things, the prevailing market price of properties around the vicinity of the Leasehold Property, taking into account the location, net internal area of the Leasehold Property and the valuation of the Leasehold Property. The Directors consider that the Purchase Price is fair and reasonable and in the interests of the Company and Shareholders as a whole. The Purchase Price will be funded by bank financing and internal resources of the Group.

Completion

Completion is subject to the receipt of the rent deposit by the Landlord (as detailed below in the section headed "Other arrangements in relation to the Leases"), delivery of the signed completion documents and payment of the remaining Purchase Price to the Vendor. Completion shall take place on 30 October 2020. Upon Completion, the Vendor shall deliver vacant possession of the Leasehold Property to the Purchaser.

Other arrangements in relation to the Leases

The freehold of the building of Leasehold Property is held by Ten Acre (Mayfair) Two Limited (the "**Landlord**"), an Independent Third Party. Based on the information available to the Group, a ground rent is payable annually for the Leases to the Landlord. The ground rent payable for the first 20 years of the Leases is £2,350 annually (£2,250 for the apartment and £100 for Car Parking Space 49) (which commenced in 2017) subject to upwards review thereafter. The rent review provisions provide that the ground rent doubles every 20th anniversary of the term for the first 100 years of the term. Pursuant to the terms of the Leases, the Purchaser has to provide a rent deposit in an amount of two years' rent and service charge to the Landlord, being approximately £68,421.28 payable upon the date of completion which is expected to be 30 October 2020.

FINANCIAL INFORMATION OF THE LEASEHOLD PROPERTY

According to the information in relation to the Leasehold Property made available to the Company, the Leasehold Property generated net rental income of approximately £260,000 and approximately £247,000 for the years ended 31 December 2018 and 31 December 2019 respectively.

As at 14 October 2020, the Leasehold Property is valued at £8,500,000 by the Independent Property Valuer.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors consider that the Acquisition will enable the Group to enlarge its properties portfolio with high quality assets. The Directors believe that the property business portfolio will be strengthened and enhanced by the Acquisition. As such, 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 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 and investment and hotel operation.

Information of the Purchaser

The Purchaser, an indirect wholly-owned subsidiary of the Company, is principally engaged in investment holding.

Information of the Vendor

The Vendor, an Independent Third Party, is principally engaged in investment holding. As at the date of this announcement, the Vendor is wholly-owned by Mr. Jaime Gilinski, who is an Independent Third Party.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS USED IN THIS ANNOUNCEMENT

In this announcement, the following definitions apply unless otherwise stated. Also, where terms are defined and used in only one section of this announcement, these defined terms are not included in the table below:

“Acquisition”	the acquisition of the Leasehold Property by the Vendor to the Purchaser as contemplated by and pursuant to the SPA
“Board”	the board of Directors
“Carparking Lease”	the lease of Car Parking Space 49, Burlington Gate, 25 Cork Street, London, W1S 3NB dated 31 October 2017 and made between Ten Acre (Mayfair) Two Limited and the Vendor and every document varying or supplemental or collateral to it
“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)
“Completion”	the completion of the Acquisition in accordance with the terms of the SPA
“connected person(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Independent Property Valuer”	Chesterton Global Limited
“Independent Third Party”	a party who is not a connected person (as defined in the Listing Rules) of the Company and is a third party independent of and not connected with the Company or its connected persons (as defined in the Listing Rules)
“Leasehold Property”	the leasehold property known as Apartment 503, 25 Cork Street, London, W1S 3NB with a net internal area of approximately 2,196 square feet (according to the particulars of sale), which is currently used for residential purpose, and Car Parking Space 49, Burlington Gate, registered at HM Land Registry with title absolute under title numbers NGL974981 and NGL975626

“Leases”	the Carparking Lease and the Property Lease
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Parties”	the parties to the SPA
“Property Lease”	the lease of Apartment 503, 25 Cork Street, London, W1S 3NB dated 31 October 2017 and made between Ten Acre (Mayfair) Two Limited and the Vendor and every document varying or supplemental or collateral to it
“Purchaser”	Cheer Rise Global Limited, a company incorporated in the British Virgin Islands with limited liability which is an indirect wholly-owned subsidiary of the Company
“Shareholder(s)”	the shareholders of the Company
“SPA”	the contract for sale and purchase of the Leasehold Property entered into between the Vendor and the Purchaser on 15 October 2020
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	503 Burlington Investments Worldwide Limited, a company incorporated in the British Virgin Islands with limited liability which is an Independent Third Party
“%”	per cent
“£”	pound sterling, the lawful currency of the United Kingdom

By order of the Board
National Electronics Holdings Limited
LEE YUEN CHING JIMMY
Chairman

Hong Kong, 15 October 2020

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 of the Company is Ms. Lee Yuen Yu, Dorothy; and the Independent Non-executive Directors of the Company are Dr. Samson Sun, M.B.E., J.P., Mr. Chan Chak Cheung, William and Mr. Chan Kwok Wai.