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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in National Electronics Holdings Limited (the “**Company**”), you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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NATIONAL ELECTRONICS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 213)

MAJOR TRANSACTION SALE AND PURCHASE AGREEMENT IN RELATION TO A MAJOR DISPOSAL

15 February 2018

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DEFINITIONS

In this Circular, unless the context requires otherwise, the following expressions have the following meanings:

“Adjustments”	has the meaning as defined in the “Adjustment of Initial Consideration” section
“Agreed Pro Forma Completion Accounts”	the pro forma statement of financial positions of the Target Group Companies (on consolidation basis together with consolidation adjustments) and each of the Target Group Companies as at close of business on the Completion Date procured to be prepared by the Vendor on or before seven (7) Business Days prior to (but excluding) the Completion Date and as agreed by the Purchaser
“Announcement”	the announcement of the Company dated 26 January 2018 in relation to the Disposal
“Board”	board of Directors
“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
“Circular”	this circular issued by the Company in accordance with the Listing Rules in respect of the Disposal
“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 Disposal 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 the Target Group Companies (on consolidation basis together with consolidation adjustments) and each of the Target Group Companies procured to be prepared by the Vendor in accordance with the relevant requirements thereof set out in the SPA
“Completion Date”	16 March 2018 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

DEFINITIONS

“Consideration”	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)
“Debt”	all the shareholders’ loans owed by PHL to the Vendor as at Completion
“Deposits”	collectively, the Initial Deposit and the Further Deposit
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of Sale Shares and Debt by the Vendor in accordance with the terms of the SPA
“Elite”	Elite Bright Asia Pacific Limited, a company incorporated under the laws of Hong Kong
“Existing Bank Loan”	the facilities granted by the NCB as lender to National Electronics (Consolidated) Limited, a wholly-owned subsidiary of the Company, as borrower pursuant to the facility letter in respect thereof dated 28 September 2017 and, where the context shall so require, the outstanding amount of the principal sum and any interest accrued thereon
“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 People’s Republic of China
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Initial Consideration”	has the meaning as defined in the “Consideration and payment terms” section
“Initial Deposit”	has the meaning as defined in the “Consideration and payment terms” section
“JLL”	Jones Lang LaSalle Limited

DEFINITIONS

“Latest Practicable Date”	8 February 2018, being the latest practicable date prior to the printing of this Circular for ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOA”	the memorandum of agreement dated 18 December 2017 entered into between the Purchaser and the Vendor in relation to the Disposal
“Mortgage”	has the meaning as defined in the “Assets to be disposed of” section
“NCB”	Nanyang Commercial Bank, Limited
“NCB Redemption Amount”	has the meaning as defined in the “Consideration and payment terms” section
“Net Asset Value”	the total current assets of the Target Group Companies (other than the value of the Property and any deferred tax assets) minus total current liabilities of the Target Group Companies (other than the liability in respect of the Existing Bank Loan, the Debt, any inter-company loan(s) between or among any of the Target Group Companies and deferred taxation liabilities) as at close of business on Completion Date as shown in the Agreed Pro Forma Completion Accounts or the Completion Accounts (as the case may be)
“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 Latest Practicable Date
“PWL”	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 Latest Practicable Date
“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
“Purchaser”	a company the shares of which are listed on the Main Board of the Stock Exchange

DEFINITIONS

“Sale Shares”	100 ordinary shares of PHL, being the entire issued share capital of PHL as at the Latest Practicable Date
“Security Document(s)”	all those security document(s) which were provided as security for the Existing Bank Loan, including the Mortgage
“Shareholders”	holders of the shares of the Company
“SPA”	the formal sale and purchase agreement dated 25 January 2018 entered into between the Vendor and the Purchaser in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group Companies”	collectively, PHL, PWL and Elite
“Termination due to Non-Compliance”	has the meaning as defined in the “Completion” section
“Vendor”	Pioneer Marvel Global Limited, a company incorporated under the laws of British Virgin Islands and which is a wholly-owned subsidiary of the Company
“%”	per cent

LETTER FROM THE BOARD

NATIONAL ELECTRONICS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 213)

Executive Directors:

Mr. Lee Yuen Ching, Jimmy
Mr. Lee Bon Chi, Loewe
Mr. Lee Yuen Kui, James
Mr. Lee Yuen Cheor, Edward
Mr. Wai Kwong Yuen, Ricky

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Non-executive Director:

Ms. Lee Yuen Yu, Dorathy

Principal place of business in Hong Kong:

Suite 3201, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Independent non-executive Directors:

Dr. Samson Sun, M.B.E., J.P.
Mr. Chan Chak Cheung, William
Mr. Chan Kwok Wai

15 February 2018

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION SALE AND PURCHASE AGREEMENT IN RELATION TO A MAJOR DISPOSAL

1. INTRODUCTION

Reference is made to the Announcement.

On 18 December 2017, the Vendor, a wholly-owned subsidiary of the Company, entered into the MOA, pursuant to which the Vendor agreed to sell and assign, and the Purchaser agreed to purchase and take up the assignment of the benefit of, the Sale Shares and the Debt.

On 25 January 2018, the Vendor and the Purchaser entered into the SPA, which reflects the principal terms contained in the MOA and incorporated other terms customary to the transactions similar to the one contemplated in the MOA. Upon the execution of the SPA: (i) the SPA supersedes the MOA and any other previous agreements (whether oral or in writing) between the Vendor and the Purchaser relating to the Disposal; and (ii) the MOA has been terminated in its entirety.

LETTER FROM THE BOARD

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal is higher than 25% but less than 75%, the Disposal 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 obtained a written approval from a closely allied group of Shareholders which held 516,514,894 shares in total as at the Latest Practicable Date (representing approximately 50.90% of the issued share capital of the Company) approving the Disposal.

The purpose of this Circular is to provide you with, among other things, further information regarding the Disposal.

2. THE SPA

The principal terms of the SPA are set out below:

Date: 25 January 2018
Parties: (1) the Vendor; and
(2) the Purchaser.

To the best knowledge of the Directors having made all reasonable enquiries, the Purchaser and its ultimate shareholder(s) are Independent Third Parties.

Assets to be disposed of

Pursuant to the SPA, the Vendor agreed to sell and assign, and the Purchaser agreed to purchase and take up the assignment of the benefit of, the Sale Shares and the Debt.

PHL owns all of the issued shares of PWL, PWL in turn owns all of the issued shares of Elite, and Elite 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 ("**NCB**") dated 3 October 2017 which will be released upon Completion.

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

Consideration and payment terms

The "**Consideration**" shall be an amount equal to the Initial Consideration as adjusted by the Adjustments.

LETTER FROM THE BOARD

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

- (a) an amount equal to HK\$500,000,000;
- (b) plus the amount of the Net Asset Value as set out in the Agreed Pro Forma Completion Accounts (if it is a positive amount) or minus the absolute value of the amount of the Net Asset Value as set out in the Agreed Pro Forma Completion Accounts (if it is a negative amount).

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

- (a) an initial deposit (the “**Initial Deposit**”) in the sum of HK\$20,000,000 which has been paid by the Purchaser to the Vendor’s solicitors on the date of the MOA and has been released by the Vendor’s solicitors to the Vendor upon signing of the SPA as deposit and part payment of the Initial Consideration;
- (b) a further deposit (the “**Further Deposit**”) in the sum of HK\$30,000,000 (which, together with the Initial Deposit, shall represent 10% of the Initial Consideration and collectively referred to as the “**Deposits**”) has been paid by the Purchaser to the Vendor’s solicitors upon the signing of the SPA;
- (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 NCB for the Vendor to procure and effect the full release and discharge of the Security Document(s) including the principal, all further interest, prepayment fees, break funding fees and costs and expenses incurred by NCB for such release and discharge (such total amount being the “**NCB Redemption Amount**”), as notified, directed and instructed by the Vendor to the Purchaser in writing no later than three (3) Business Days before Completion, shall be made payable directly to NCB; and
 - (ii) a sum equal to the balance of the Completion Payment (being the balance remaining after deducting the NCB Redemption Amount from the Completion Payment) shall be paid by the Purchaser to the Vendor’s solicitors; and
- (d) an amount in respect of the adjustment of the Initial Consideration shall be paid by the Purchaser or the Vendor (as the case may be) in accordance with the Adjustments.

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.

LETTER FROM THE BOARD

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 Asset Value (determined by reference to the Completion Accounts) is more than the Net Asset Value (as set out in the Agreed Pro Forma Completion Accounts) shall be added to the Initial Consideration; and
 - (ii) an amount (if any) by which the Net Asset Value (determined by reference to the Completion Accounts) is less than the Net Asset Value (as set out in the Agreed Pro Forma Completion Accounts) shall be deducted from the Initial Consideration.
- (b) Within five (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 Vendor the amount of the increase; and
 - (ii) if the Initial Consideration is reduced pursuant to paragraph (a)(ii) above, the Vendor shall pay to the Purchaser the amount of the reduction.

Conditions precedent and warranties

Completion is conditional upon the following conditions being satisfied (or waived by the Purchaser in accordance with the SPA) on or before the Completion Date:

- (a) Elite being able to show and give a good title to the Property in accordance with sections 13 and 13A of the CPO; and
- (b) certain specified warranties given by the Vendor to the Purchaser set out in the SPA 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, as mutually agreed between the Vendor and the Purchaser and being unrelated to the other terms of the SPA, Completion shall take place in Macau (or at such other place as the Vendor and Purchaser may mutually agree in writing) on the Completion Date. Upon Completion, the Purchaser and/or its nominee(s) will become the legal and beneficial owner of the Sale Shares and the Debt (free from all encumbrances).

LETTER FROM THE BOARD

Neither the Purchaser nor the Vendor is obliged to complete the Disposal unless the sale and purchase of the Sale Shares and the assignment of the Debt are completed simultaneously.

Neither the Purchaser nor the Vendor is obliged to perform any obligations in respect of Completion (for example, the provision of deliverables) 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 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 ten (10) Business Days after the Completion Date; (ii) proceed to Completion as far as practicable; or (iii) terminate the SPA ("**Termination due to Non-Compliance**").

Termination and refund/forfeiture of the Deposits

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

- (a) if the Purchaser elects to terminate the SPA due to the non-fulfilment of conditions precedent, then the Vendor shall, within five (5) Business Days upon demand in writing by the Purchaser, return the Deposits paid by the Purchaser without any interest or cost and (i) if such non-fulfilment is due to the Vendor's failure to use all reasonable endeavours to procure the fulfilment of the conditions precedent on or before the Completion Date, then such termination shall not affect or prejudice the then accrued rights and obligations of the Purchaser; (ii) if such non-fulfilment is not due to the Vendor's failure to use all reasonable endeavours to procure the fulfilment of the conditions precedent on or before the Completion Date, then upon such termination, neither the Purchaser nor the Vendor shall have any further claim or cause of action against each other;
- (b) if the Vendor elects to terminate the SPA in accordance with Termination due to Non-Compliance (and the Vendor not being unable or unwilling to perform any of its obligations in respect of Completion as set out in the SPA), then the Deposits shall be forfeited to the Vendor as damages on the Completion Date; and
- (c) if the Purchaser elects to terminate the SPA in accordance with Termination due to Non-Compliance (and the Purchaser not being unable to or unwilling to perform any of its obligations in respect of Completion as set out in the SPA), then the Vendor shall, within five (5) Business Days, return the Deposits paid by the Purchaser without any interest or cost.

LETTER FROM THE BOARD

3. INFORMATION OF 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, extracted from its audited financial statements, prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the financial year ended 31 March 2016 (Unaudited) HK\$'000	For the financial year ended 31 March 2017 (Unaudited) HK\$'000
Revenue	5,596	5,636
Net (loss)/profit before taxation	(3,916)	68,350
Net (loss)/profit after taxation	(4,274)	67,630

The financials of the Target Group Companies improved for the financial year ended 31 March 2017 as compared to the financials of the Target Group Companies for the financial year ended 31 March 2016 was mainly due to an increase in the fair value of the Property. The unaudited consolidated total assets and the net asset value of the Target Group Companies as at 31 December 2017 were approximately HK\$432,170,000 and HK\$52,461,000 respectively. For reference only, the Net Asset Value as defined in the Circular of the Target Group Companies was approximately HK\$359,000 as at 31 December 2017.

The Property is a commercial property.

Based on the valuation conducted by JLL, the value of the Property is approximately HK\$490,000,000 as at 18 December 2017.

4. REASONS FOR AND BENEFITS OF THE DISPOSAL

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

The Directors consider that the Disposal is on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

5. FINANCIAL EFFECTS OF THE DISPOSAL

It is expected that the Group will record a gain of approximately HK\$64,964,000 on completion of the Disposal after taking into account of the related expenses of approximately HK\$6,000,000 payable by the Group in connection with the Disposal. Such gain is calculated by reference to the unaudited consolidated net asset value of the Target Group Companies as at 31 December 2017.

LETTER FROM THE BOARD

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.

6. USE OF PROCEEDS

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

7. 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 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.

8. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal is higher than 25% but less than 75%, the Disposal 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 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 50.90% of the total issued share capital of the Company as at the Latest Practicable Date. 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 Latest Practicable Date

LETTER FROM THE BOARD

(representing approximately 24.72% 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 Latest Practicable Date (representing approximately 26.18% of the issued share capital of the Company), for the approval of the Disposal. Americus Holdings Limited is a company wholly-owned by Mr. Lee Yuen Ching, Jimmy. The said 265,701,618 shares held by Fenmore Investments Limited are part of the property of a discretionary trust of which Mr. Lee Yuen Ching, Jimmy and his family members including Mr. Lee Bon Chi, Loewe's family members 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.

If, despite the said written approval from Americus Holdings Limited and Fenmore Investments Limited having been obtained, voting was required and the Company held a general meeting for the approval of the transactions contemplated under the SPA, the Directors would have recommended that the Shareholders vote in favour of such resolution.

9. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this Circular.

As Completion of the Disposal is subject to the fulfillment of the conditions precedent 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.

Your faithfully,
For and on behalf of the Board of
National Electronics Holdings Limited
Lee Yuen Ching, Jimmy
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Audited financial information of the Group for each of the three years ended 31 March 2015, 2016 and 2017 are disclosed in the annual reports of the Company for the years ended 31 March 2015, 2016 and 2017 respectively which were published on both the website of the Stock Exchange (www.hkex.com.hk) and the designated website of the Company (<http://www.irasia.com/listco/hk/national/index.htm>).

Interim financial information of the Group for the six-month ended 30 September 2017 is disclosed in the interim report of the Company for the six-month ended 30 September 2017, which was published on both the website of the Stock Exchange (www.hkex.com.hk) and the designated website of the Company (<http://www.irasia.com/listco/hk/national/index.htm>).

The Directors are of the opinion that there is not any material adverse change in the financial or trading position of the Group since the date to which the latest published audited accounts of the Company have been made up.

2. INDEBTEDNESS OF THE GROUP

As at 31 December 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group had outstanding bank borrowings of approximately HK\$3,759 million (of which approximately HK\$2,740 million was secured by fixed charges on certain of the Group's assets, including properties) representing short and long term loans and trust receipt loans. In addition, the Group had outstanding at that date obligations under hire purchase contracts and finance leases of approximately HK\$23 million and contingent liabilities in respect of guarantees given to third parties of approximately HK\$1,049 million.

Save as aforesaid, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on the Latest Practicable Date any loan capital and/or debt securities issued and outstanding or agreed to be issued or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills, if any) or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL OF THE GROUP

The Directors are of the opinion that, after taking into account the financial resources and banking facilities available to the Group and its internally generated funds and the effect of the SPA, the Group will have sufficient working capital to satisfy its present requirements for the next twelve (12) months from the date of this Circular in the absence of unforeseen circumstances.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

After Completion, the Group will continue its existing business plan in the respective segments and the Company will also continue its existing ordinary business.

Watches and Watch Components

During the six months ended 30 September 2017, the worldwide sales of watches remained stagnant and the Group's watch manufacturing and watch component trading division recorded a slight decrease in turnover and profit.

As worldwide demand for watches is expected to remain weak, there exists strong competition among manufacturers and the Group anticipates continued pressure on its watch manufacturing and watch component trading business.

Hotel Operation

The Group's hotel operation achieved satisfactory growth both in terms of revenue and profit margin. The Group's strategy of upgrading the overall amenities and service of its four boutique hotels has had very positive results and the Group continues its efforts in promoting its brand locally and internationally.

Property Development and Investment

During the six months ended 30 September 2017, the Group's property development and investment division benefited from Hong Kong's strong residential market.

The Group has obtained the occupation permit for its luxurious residential development at 45 Tai Tam Road, Hong Kong, a Joint Venture project with BPE Asia Real Estate Fund L.P., and the internal fitting out work is expected to be completed by the first quarter of 2018.

On 19 November 2017, the Group disposed of one of its properties located at Regalia Bay, Wong Ma Kok Road, Hong Kong.

The final closing of the Group's boutique commercial development project 7 St. Thomas, Toronto, Canada has been completed in December 2017.

For the Group's multi-phased mixed use project 88 Queen Street East in Toronto, Canada, the construction work for phase I, which has been fully presold, has commenced and detailed planning for the marketing of phase II is well under way.

15 February 2018

The Directors
National Electronics Holdings Limited
Suite 3201
Gloucester Tower
Landmark
Central
Hong Kong



仲量聯行

Dear Sirs,

RE: OFFICES NOS. 1-3 (INCLUSIVE), 5 TO 13 (INCLUSIVE), 15 TO 23 (INCLUSIVE), 25 TO 30 (INCLUSIVE), THE LAVATORIES AND LIFT LOBBY AND CORRIDOR ON 15TH FLOOR, ONE ISLAND SOUTH, NO. 2 HEUNG YIP ROAD, HONG KONG

In accordance with your instructions to value the property interests held by the company in Hong Kong, we confirm that we have inspected the property interests and have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 18 December 2017 (the “valuation date”).

Our valuation services have been executed in accordance with our Quality Assurance System, accredited by HKQAA via ISO 9002 and our report prepared with reference to the assumptions, definitions and limiting conditions as set out in our General Principles of Valuation.

Unless otherwise stated, our valuation has been prepared in accordance with the “HKIS Valuation Standards on Properties” published by The Hong Kong Institute of Surveyors (“HKIS”) and our General Principles of Valuation. Where the Valuation Standards are silent on subjects requiring guidance, we would refer to “The RICS Appraisal and Valuation Standards” published by the Royal Institution of Chartered Surveyors (“RICS”) and the “International Valuation Standards” published by the International Valuation Standards Committee (“IVSC”) subject to variation to meet local established law, custom, practice and market conditions.

Our valuations of the property interests are made on the basis of the ‘Market Value’ adopted by the HKIS. “Market Value is the estimated amount for which a Property should exchange on the Date of Valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the value of the Property.

We have relied to a considerable extent on the information given by National Electronics Holdings Limited and have accepted advice given to us on such matters as statutory notices, easements, tenure, particulars of occupancy, lettings, floor areas, and all other relevant matters.

We have not been provided with copies of the title documents relating to the property but we have caused searches to be made at the Land Registry. However, we have not examined the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate. No on-site measurements have been taken.

We have carried out external inspection of the Property on 4 January 2018. We have not conducted formal site and structural surveys and, as such we cannot report that the Property is free from rot, infestation or any other structural defects. We have not carried out building surveys, nor have we inspected those parts of the Property which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We do not express an opinion about or advice upon the condition of the parts we had not inspected and this report should not be taken as making any implied representation or statement about such parts. No tests have been carried out to any of the services within the Property.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their value.

Neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

Finally and in accordance with our standard practice, we must state that these certificates are for the use only of National Electronics Holdings Limited and no responsibility is accepted to any third party for the whole or any part of their contents.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Limited

Cliff Tse B.Sc. (Hons), FHKIS, MRICS, RPS (GP)
Regional Director
Licence No. E-145551

Note: Mr. Cliff Tse is a Chartered Surveyor who has 23 years' experience in the valuation of properties in Hong Kong.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in its existing state as at 18th December 2017
Office Nos. 1-3 (inclusive), 5 to 13 (inclusive), 15 to 23 (inclusive), 25 to 30 (inclusive), the lavatories and lift lobby and corridor on 15th Floor, One Island South, No. 2 Heung Yip Road, Hong Kong.	<p>The property comprises 27 office units, the lavatories, lift lobby and corridor on 15th Floor within the One Island South development. The development comprises one 24-storey office block. The development was completed in 2011.</p> <p>The 27 office units have a total gross floor area of approximately 29,848 ft² (2,772.95 m²).</p> <p>Aberdeen Inland Lot No. 374 is held under Condition of Sale No. UB10049 for a term of 75 years renewable for 75 years from 29th October 1971.</p>	As at 18th December 2017, Office Nos. 16-23 and 25 are vacant whilst the remaining offices were leased to various tenants at an aggregate rent of HK\$503,121 per month with the latest tenancy due to expire on 14 March 2019, exclusive of Government rates and management fee.	HK\$490,000,000 (HONG KONG DOLLARS FOUR HUNDRED AND NINETY MILLION)
2,312/65,889 shares of and in Remaining Portion of Aberdeen Inland Lot No. 374.			
The Government lease is held for 75 years from 29/10/1971 and renewable for 75 years.			
Government rent of Aberdeen Inland Lot No. 374 is HK\$1,124 per annum.			

Notes:

- 1) The registered owner of the property is Elite Bright Asia Pacific Limited vide Memorial No. 11072202950109 dated 29th June 2011.
- 2) The property is subject to the following encumbrances:
 - i) Occupation Permit No. HK/2011 dated 2nd February 2011 vide Memorial No. 11021103200017.
 - ii) Certificate of Compliance dated 10th June 2011 vide Memorial No. 11061503130015.
 - iii) The property is zoned for Commercial (4) purposes.
 - iv) Deed of Mutual Covenant and Management Agreement with plans dated 17th June 2011 vide Memorial No. 11071302840010 in favour of Harriman Property Management Limited (The Management Company).
 - v) Mortgage dated 3rd November 2017 vide Memorial No. 17111502420178 in favour of Nanyang Commercial Bank, Limited.

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. DISCLOSURE OF INTERESTS**(a) Interests of Directors**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

(i) Ordinary shares of HK\$0.10 each

Name of director	Capacity	Personal interests	Corporate interests	Other interests	Total interests	Percentage of the issued share capital of the Company
Mr. Lee Yuen Ching, Jimmy	Chairman	—	250,813,276 (note e)	285,701,618 (note a)	536,514,894	52.871%
Mr. Lee Bon Chi, Loewe	Managing Director	—	—	315,421,618 (notes a, b)	315,421,618	31.083%
Mr. Lee Yuen Kui, James	Managing Director	6,534	—	—	6,534	0.001%
Mr. Wai Kwong Yuen, Ricky	Director	—	40,994,543 (note c)	—	40,994,543	4.040%
Dr. Samson Sun, M.B.E., J.P.	Director	—	5,817,864 (note d)	—	5,817,864	0.573%
Mr. Chan Chak Cheung, William	Director	330,000	—	—	330,000	0.033%

(ii) *Share options*

Name of Director	Capacity	Number of options held	Number of underlying shares	Percentage of the issued share capital of the Company
Mr. Lee Bon Chi, Loewe	Managing Director (Beneficial owner)	16,720,000	16,720,000	1.648%
Mr. Chan Kwok Wai	Independent Non-executive Director (Beneficial owner)	330,000	330,000	0.033%

Notes:

- (a) 265,701,618 shares are part of the property of a discretionary trust of which Mr. Lee Yuen Ching, Jimmy and his family members and Mr. Lee Bon Chi, Loewe's family members are named beneficiaries.
- (b) 33,000,000 shares are held by Mr. Lee Bon Chi, Loewe's family member.
- (c) 40,994,543 shares are held by two companies controlled by Mr. Wai Kwong Yuen, Ricky.
- (d) 5,817,864 shares are held by a company controlled by Dr. Samson Sun, M.B.E., J.P.
- (e) 250,813,276 shares are held by a company controlled by Mr. Lee Yuen Ching, Jimmy.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors had any interest, either direct or indirect, in any assets which have been, since 31 March 2017 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

Share options

The Company's share option scheme (the "**Scheme**"), was adopted pursuant to a resolution passed on 20 August 2008 for the primary purpose of providing incentives to Directors and eligible employees, and will expire on 19 August 2018. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At the Latest Practical Date, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 17,050,000, representing 1.68% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's Shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's Shareholders. Options granted to independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's Shareholders.

Consideration at HK\$1 is payable on the grant of an option. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the Directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five (5) Business Days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The following table disclosed movements in the Company's share options during the six months ended 30 September 2017:

Name of director	Date of grant	Exercise period	Exercise price per share	Balance at 1.4.2017	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Balance at 30.09.2017
Mr. Lee Bon Chi, Loewe	18.3.2010	18.3.2010-17.3.2018	0.493	10,120,000	—	—	—	—	10,120,000
	23.3.2011	23.3.2011-22.3.2018	0.691	6,600,000	—	—	—	—	6,600,000
Mr. Chan Kwok Wai	23.3.2011	23.3.2011-22.3.2018	0.691	330,000	—	—	—	—	330,000

The closing price of the Company's share immediately before 18 March 2010, the date of grant of the options, was HK\$0.542 and before 23 March 2011, the date of grant of the options, was HK\$0.760.

(b) Interests of Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, no person (other than the interests disclosed under the paragraph headed “(a) Interests of Directors” above) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or may not be terminated by the Company within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, there have been three litigation cases which involved 中霸電子科技(南寧)有限公司, a subsidiary of the Company (the “**Subject Subsidiary**”). These cases relate to disputes on the construction contracts for a parcel of land in Nanning (the “**Nanning Land**”) held by the Subject Subsidiary, which is divided into two areas — Areas A and B (collectively, the “**Construction Disputes**”). The plaintiff in the Construction Disputes, 廣西建工聯合建設有限公司 (the “**Plaintiff**”), is a construction contractor engaged by the Subject Subsidiary to construct and develop certain factory buildings on the Nanning Land. In each of the Construction Disputes, the Plaintiff claims, among others, contractual fees allegedly overdue by the Subject Subsidiary under the relevant construction contracts and interests thereof, damages for alleged breach of contract by the Subject Subsidiary and losses arising therefrom. The aggregate amount being claimed by the Plaintiff in the Construction Disputes is approximately RMB 45 million.

As at the Latest Practicable Date, the three litigation cases were still ongoing. Taking into account the legal opinion of the Company’s legal advisors, the directors are of the view that the claims made by the Plaintiff in the Construction Disputes are without merits, and accordingly no provision has been made in the consolidated financial statements of the Company for the year ended 31 March 2017.

Other than mentioned above, there was no litigation or claims of material importance known to the Directors pending or threatened against any member of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their close associates had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this Circular or have given opinions, letter or advices contained in this Circular:

(a) Name	(b) Qualification
Jones Lang LaSalle Limited	Professional Surveyors and Valuers

As at the Latest Practicable Date, JLL did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. JLL has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its letter(s), report(s), valuation certificate(s) and/or references to its name in the form and context in which they are included.

As at the Latest Practicable Date, JLL did not have any direct or indirect interests in any assets which have been, since 31 March 2017 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the memorandum of understanding dated 22 March 2016 entered into between Baldric Investments Limited and Cornes Properties Limited in relation to the acquisition of 10,000 ordinary shares of Bentley Investments Limited, representing its entire issued share capital and the remaining outstanding amount (if any) of the loan owing by Bentley Investments Limited to Cornes Properties Limited immediately before 25 July 2016 for a consideration of HK\$672,016,114.52, subject to adjustments (the “**BIL Acquisition**”) as more particularly set out in the announcement of the Company dated 22 March 2016;
- (b) the formal sale and purchase agreement dated 25 April 2016 in relation to the BIL Acquisition as more particularly set out in the announcement of the Company dated 25 April 2016 and the circular of the Company dated 24 June 2016;
- (c) the preliminary sale and purchase agreement dated 17 February 2017 entered into between Terence Limited (a wholly-owned subsidiary of the Company), an Independent Third Party and Centaline Property Agency Limited in relation to the sale and purchase of House 15 including its house unit, external walls, staircase to the basement floor, staircase at main roof, the main roof and upper roof, garden and open space, planter and car parking spaces nos. 15A and 15B on the basement floor, No. 1 Shouson Hill Road East, Hong Kong as more particularly set out in the announcement of the Company dated 17 February 2017;

- (d) the preliminary sale and purchase agreement dated 22 March 2017 entered into between three vendors, who are Independent Third Parties and PWL in relation to the acquisition of the entire issued share capital of Elite and the loans owing by Elite to the aforementioned three vendors (the “**Elite Acquisition**”) as more particularly set out in the announcement of the Company dated 22 March 2017;
- (e) the formal sale and purchase agreement dated 23 May 2017 in relation to the Elite Acquisition as more particularly set out in the announcements of the Company dated 24 May 2017 and the circular of the Company dated 9 June 2017;
- (f) the preliminary sale and purchase agreement dated 19 November 2017 entered into between Samford Limited, a wholly owned subsidiary of the Company, and an Independent Third Party in respect of the sale and purchase of House No. C36 (including its 2 car parking spaces), Regalia Bay, No. 88 Wong Ma Kok Road, Hong Kong as more particularly set out in the announcement of the Company dated 20 November 2017;
- (g) the MOA; and
- (h) the SPA.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company’s principal place of business at Suite 3201, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong during normal business on any weekday (except public holidays) from 23 February 2018 to and including 9 March 2018:

- (a) the memorandum of association and Bye-laws of the Company;
- (b) the annual reports of the Company of each of the two financial years immediately preceding the issue of this circular;
- (c) the valuation report of the Property prepared by JLL, the text of which is set out in Appendix II to this Circular;
- (d) the written consent given by the expert referred to in the paragraph headed “Experts and Consents” in this appendix;
- (e) the material contracts referred to in this appendix; and
- (f) this Circular.

9. MISCELLANEOUS

- (a) The qualified accountant and company secretary of the Company is Mr. Wong Kam Kee, Andy, who is a fellow member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong holds an Executive Master Degree of Business Administration from Chinese University of Hong Kong and a Master of Science Degree in Financial Management from the University of London. Mr. Wong was an audit executive of an international accounting firm and held senior finance positions in several listed public companies in Hong Kong.
- (b) The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The principal place of business of the Company is at Suite 3201, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this Circular shall prevail over the Chinese text in case of inconsistency.