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NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

MAJOR TRANSACTION

Reference is made to the announcement of the Company dated 31 March 2011 in relation to the sale and purchase of a 60.5% equity interest in JVCo 1 for a total consideration of HK\$72,600,000.

The Board is pleased to announce that on 21 April 2011, the Seller, a wholly-owned subsidiary of the Company, entered into a legally binding MOA with the Purchasers pursuant to which the parties agree to work together in good faith to agree on and finalise the terms of the relevant sale and purchase agreements and shareholders' agreements which will govern: (1) sale and purchase of Sale Shares 2 for a total consideration of HK\$110,960,000 and the sale and purchase of Sale Shares 3 for a total consideration of HK\$140,160,000; and (2) the establishment and governance of JVCo 2 and JVCo 3. The parties agree that the terms of the sale and purchase agreements of Sale Shares 2 and Sale Shares 3, and the terms of the shareholders' agreements for JVCo 2 and JVCo 3, will be substantially the same as those contained in Disposal Agreement 1 and Shareholders' Agreement 1, respectively, modified as necessitated by circumstances.

The signing of the Definitive Agreements and Completion of Disposal 2 and Disposal 3 is expected to take place on 31 May 2011, or such other date as the Seller and the Purchasers may agree in writing.

Pursuant to Chapter 14 of the Listing Rules, the transactions contemplated under Disposal 1, Disposal 2 and Disposal 3 should be aggregated and they together will constitute a major transaction of the Company and is subject to reporting and shareholders' approval requirements.

Upon the signing of the Definitive Agreements, the Company will make a further announcement in compliance with the Listing Rules and will seek approval from the Shareholders in respect of Disposal 2 and Disposal 3 by way of a written resolution. The Company has a closely allied group of Shareholders which together holds approximately 50.67% of the total issued share capital of the Company as at the date of this announcement. Accordingly, no general meeting for the Shareholders to approve Disposal 2 and Disposal 3 will be held. A circular containing details of Disposal 1, Disposal 2 and Disposal 3 as well as valuation reports on Property 1, Property 2 and Property 3 will be despatched to the Shareholders in compliance with the Listing Rules after the date of the further announcement mentioned above.

Reference is made to the announcement of the Company dated 31 March 2011 in relation to Disposal 1.

The Board is pleased to announce that on 21 April 2011 the Seller has entered into a legally binding MOA with the Purchasers pursuant to which the parties agree, among other things, to work together in good faith to agree on and finalise the terms of the Definitive Agreements.

THE MOA

Date 21 April 2011

Parties **Seller** — National Properties Holdings Limited, a wholly-owned subsidiary of the Company

Purchasers — GCPF Cayman Holding 10 Corp. and GCPF Cayman Holding 11 Corp., each of them is an investment holding company and a wholly-owned subsidiary of a real estate fund which is the same fund that owns Purchaser 1

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchasers and their ultimate beneficial owners are Independent Third Parties.

Under the MOA, the parties agree to work together in good faith to agree on and finalise:

- (1) the terms of Disposal Agreement 2 and Disposal Agreement 3 and other ancillary documents to govern Disposal 2 and Disposal 3, such terms will be substantially the same (modified as necessitated by circumstances) as Disposal Agreement 1 and other ancillary documents related to Disposal 1; and
- (2) the terms of Shareholders' Agreement 2 and Shareholders' Agreement 3, such terms will be substantially the same (modified as necessitated by circumstances) as Shareholders' Agreement 1 related to JVCo 1.

Assets to be disposed

Sale Shares 2 will represent 73% of the share capital of JVCo 2. JVCo 2 will own the entire issued share capital of Batilone immediately before Completion, which in turn owns Property 2.

Sale Shares 3 will represent 73% of the share capital of JVCo 3. JVCo 3 will own the entire issued share capital of Asiatic and Lens immediately before Completion, which in turn own Property 3.

Considerations and Payment Schedule

The total consideration for Sale Shares 2 is HK\$110,960,000 and the total consideration for Sale Shares 3 is HK\$140,160,000.

The payment schedule for Consideration 2 and Consideration 3 are as follows:

Consideration 2

- (a) an initial payment of HK\$11,096,000, which represents 10% of Consideration 2, will be paid to the Seller by Purchaser 2 on or before 28 April 2011 which forms part of the Deposit;
- (b) a further payment of HK\$55,480,000, which represents 50% of Consideration 2, will be paid to the Seller by Purchaser 2 at Completion;
- (c) a further payment of HK\$11,096,000, which represents 10% of Consideration 2, will be paid to the Seller by Purchaser 2 one month after Completion;
- (d) a further payment of HK\$19,418,000, which represents 17.5% of Consideration 2, will be paid to the Seller by Purchaser 2 when the practical completion certificate for Property 2 is obtained; and
- (e) the balance of Consideration 2, being HK\$13,870,000, which represents 12.5% of Consideration 2, will be paid to the Seller by Purchaser 2 when the hotel license for Property 2 is issued.

Consideration 3

- (a) an initial payment of HK\$14,016,000, which represents 10% of Consideration 3, will be paid to the Seller by Purchaser 3 on or before 28 April 2011 which forms the remaining part of the Deposit;
- (b) a further payment of HK\$70,080,000, which represents 50% of Consideration 3, will be paid to the Seller by Purchaser 3 at Completion;
- (c) a further payment of HK\$14,016,000, which represents 10% of Consideration 3, will be paid to the Seller by Purchaser 3 one month after Completion;
- (d) a further payment of HK\$24,528,000, which represents 17.5% of Consideration 3, will be paid to the Seller by Purchaser 3 when the practical completion certificate for Property 3 is obtained; and

- (e) the balance of Consideration 3, being HK\$17,520,000, which represents 12.5% of the Consideration 3, will be paid to the Seller by Purchaser 3 when the hotel license for Property 3 is issued.

Termination of the MOA or if Disposal 2 and Disposal 3 do not complete

If the MOA is terminated in circumstances where none of the parties are in breach of their respective obligations under the MOA, the rights and obligations of the parties will cease immediately and the Deposit will be returned to the Purchasers by the Seller. If Completion does not take place due to a breach of the MOA by the Purchasers, the Seller can forfeit the Deposit as liquidated damages. If Completion does not take place due to a breach of the MOA by the Seller, the Seller will return the Deposit to the Purchasers and, in addition, pay an amount equal to the Deposit to the Purchasers as liquidated damages.

With regard to Disposal 1, on 21 April 2011, Spring Orchard Limited (the vendor for Disposal 1), the Company and Purchaser 1 entered into a letter agreement to amend the payment schedule of the Second Payment (as defined in the announcement of the Company dated 31 March 2011) of HK\$7,260,000 of the consideration for Disposal 1 from 29 April 2011 to the earlier of (i) 31 May 2011; and (ii) the second business day after Completion.

Completion and Conditions

The Definitive Agreements are expected to be signed and Completion is expected to take place on 31 May 2011 or such other date as the parties may agree in writing.

Completion is conditional upon, among other things, the following:

- (a) there are no material due diligence issues arising from the Purchasers' due diligence in relation to Batilone, Asiatic and Lens or of matters relating to Disposal 2 and Disposal 3;
- (b) there being no breach of any of the warranties to be contained in Disposal Agreement 2 and Disposal Agreement 3; and
- (c) any shareholders' approval and compliance requirements applicable to the Seller under the Listing Rules being met.

Batilone, Asiatic and Lens

Batilone is an investment holding vehicle which wholly-owns Property 2. Property 2 has a total gross floor area of approximately 31,600 square feet and is located at No. 89 Jervois Street, Sheung Wan, Hong Kong.

Asiatic and Lens are investment holding vehicles which wholly-own Property 3. Property 3 has a total gross floor area of approximately 41,000 square feet and is located at Nos. 99, 101, 103 Bonham Strand and No.127 Wing Lok Street, Sheung Wan, Hong Kong.

Both properties are being developed into hotels.

The approximate audited net profit before and after taxation and extraordinary items attributable to each of Batilone, Asiatic and Lens for the year ended 31 March 2010 and the year ended 31 March 2009 are as follows:

	Approximate audited net profit before taxation and extraordinary items for the year ended 31 March 2010 (HK\$)	Approximate audited net profit after taxation and extraordinary items for the year ended 31 March 2010 (HK\$)
Batilone	9,000,000	7,000,000
Asiatic	1,650,000	1,380,000
Lens	5,170,000	4,320,000

	Approximate audited net profit before taxation and extraordinary items for the year ended 31 March 2009 (HK\$)	Approximate audited net profit after taxation and extraordinary items for the year ended 31 March 2009 (HK\$)
Batilone	25,800,000	20,300,000
Asiatic	750,000	260,000
Lens	3,950,000	3,340,000

As at 31 December 2010, the unaudited net asset value of each of Batilone, Asiatic and Lens was approximately HK\$67,113,000, HK\$43,191,000 and HK\$25,418,000, respectively. Based on such net asset values, a gain of approximately HK\$82,000,000 is expected to accrue to the Group upon Completion, after taking into account the related expenses paid or payable by the Group of approximately HK\$70,000,000 in relation to Disposal 2 and Disposal 3.

REASONS FOR AND BENEFITS OF DISPOSAL 2 AND DISPOSAL 3 AND THE SHAREHOLDERS' AGREEMENTS

Property 2 and Property 3 were both acquired by the Group in 2007 and had been held by the Group for investment purposes.

The Directors consider that the Disposal 2 and Disposal 3 provide a good opportunity for the Group to realize the Property 2 and the Property 3 and enhance the liquidity of the Group. The setting up of the joint ventures with the Purchasers also provides the Group with a valuable opportunity to co-invest with a prestigious investment partner and there may be further opportunities to work with this investment partner in the future. The Directors consider that the Disposal 2 and Disposal 3 and the joint venture arrangements with the Purchasers are on normal commercial terms and that such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Group currently intends to use the net proceeds from Disposal 2 and Disposal 3 for general working capital purpose.

INFORMATION OF THE COMPANY, THE SELLER AND THE PURCHASERS

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.

Information of the Seller

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

Information of the Purchasers

Each Purchaser is an investment holding company incorporated in the Cayman Islands and is a wholly-owned subsidiary of a real estate fund which is the same fund that owns Purchaser 1.

LISTING RULES IMPLCATIONS

Pursuant to Chapter 14 of the Listing Rules, the transactions contemplated under Disposal 1, Disposal 2 and Disposal 3 should be aggregated and they together constitute a major transaction of the Company and is subject to reporting and shareholders' approval requirements.

Upon signing of the Definitive Agreements, the Company will make further announcement in compliance with the Listing Rules and will seek approval from the Shareholders in respect of Disposal 2 and Disposal 3 by way of written resolution.

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. Accordingly, no general meeting for the Shareholders to approve Disposal 2 and Disposal 3 will be held.

A circular containing details of Disposal 1, Disposal 2 and Disposal 3 as well as valuation reports on Property 1, Property 2 and Property 3 will be despatched to the Shareholders. As the signing of the Definitive Agreements is currently intended to take place on 31 May 2011, the Company expects to dispatch the circular in compliance with the Listing Rules after the date of the further announcement mentioned above.

DEFINITIONS

“Asiatic”	Asiatic Limited, a company incorporated in Hong Kong
“Batilone”	Batilone Limited, a company incorporated in Hong Kong
“Company”	National Electronics Holdings Limited, a company incorporated in Bermuda, whose shares are listed on the Main board of the Stock Exchange
“Completion”	completion of Disposal 2 and Disposal 3
“Consideration 1”	the Consideration as defined in the announcement of the Company dated 31 March 2011 in respect of Disposal 1
“Consideration 2”	the consideration for Disposal 2 which amounts to HK\$110,960,000
“Consideration 3”	the consideration for Disposal 3 which amounts to HK\$140,160,000
“Definitive Agreements”	Disposal Agreement 2, Disposal Agreement 3, other ancillary documents in relation to Disposal 2 and Disposal 3 and Shareholders’ Agreement 2 and Shareholders’ Agreement 3
“Deposit”	HK\$25,112,000
“Directors”	the directors of the Company
“Disposal 1”	the sale and purchase of 605 shares in JVCo 1 as described in the announcement of the Company dated 31 March 2011

“Disposal 2”	the proposed disposal of Sale Shares 2 by the Seller to the Purchaser 2
“Disposal 3”	the proposed disposal of Sale Shares 3 by the Seller to the Purchaser 3
“Disposal Agreement 1”	the Disposal Agreement as defined in the announcement of the Company dated 31 March 2011
“Disposal Agreement 2”	the sale and purchase agreement to be entered into for Disposal 2
“Disposal Agreement 3”	the sale and purchase agreement to be entered into for Disposal 3
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Holdco 2”	a company incorporated in the British Virgin Islands which will, immediately before Completion, be a subsidiary of the Seller and own the entire issued share capital in JVCo 2
“Holdco 3”	a company incorporated in the British Virgin Islands which will, immediately before Completion, be a subsidiary of the Seller and own the entire issued share capital in JVCo 3
“Independent Third Party(ies)”	an independent third party not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates and connected persons as defined in the Listing Rules
“JVCo 1”	Mercato Group Limited, a company incorporated in the British Virgin Islands
“JVCo 2”	a company incorporated in the British Virgin Islands which will, immediately before Completion, be a wholly-owned subsidiary of Holdco 2 and own the entire issued share capital in Batilone

“JVCo 3”	a company incorporated in the British Virgin Islands which will, immediately before Completion, be a wholly-owned subsidiary of Holdco 3 and own the entire issued share capital in Asiatic and Lens
“Lens”	Lens Limited, a company incorporated in Hong Kong
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“MOA”	Memorandum of Agreement signed on 21 April 2011 amongst the Seller and the Purchasers
“Property 1”	the Property as defined in the announcement of the Company dated 31 March 2011
“Property 2”	the Remaining Portion of Section A of Inland Lot No.864 and The Remaining Portion of Section B of Inland Lot No.865 (No.89 Jervois Street, Hong Kong) (formerly known as Nos.87 and 89 Jervois Street, Hong Kong)
“Property 3”	First The Remaining Portion of Marine Lot No.152 (No.101 Bonham Strand, Hong Kong); Secondly The Remaining Portion of Marine Lot No.153 (No.103 Bonham Strand, Hong Kong); and Thirdly The Remaining Portion of Section A of Marine Lot No.153 (No.127 Wing Lok Street, Hong Kong); and The Remaining Portion of Marine Lot No.151 (No.99 Bonham Strand)
“Purchaser 1”	GCPF Cayman Holding 9 Corp., the purchaser in Disposal 1
“Purchasers”	Purchaser 2 and Purchaser 3
“Purchaser 2”	GCPF Cayman Holding 10 Corp., a company incorporated in the Cayman Islands being the purchaser for Disposal 2
“Purchaser 3”	GCPF Cayman Holding 11 Corp., a company incorporated in the Cayman Islands being the purchaser for Disposal 3

“Sale Shares 2”	730 shares in JVCo 2, which will represent a 73% interest in JVCo 2
“Sale Shares 3”	730 shares in JVCo 3, which will represent a 73% interest in JVCo 3
“Seller”	National Properties Holdings Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Shareholders’ Agreement 1”	the Shareholders’ Agreement as defined in the announcement of the Company dated 31 March 2011 in respect of JVCo 1
“Shareholders’ Agreement 2”	the shareholders’ agreement to be entered into amongst Holdco 2, Purchaser 2 and JVCo 2 to regulate the relationships between the parties and provide for the management and the conduct of the business of JVCo 2
“Shareholders’ Agreement 3”	the shareholders’ agreement between Holdco 3, Purchaser 3 and JVCo 3 to regulate the relationships between the parties and provide for the management and the conduct of the business of JVCo 3
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 21 April 2011

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.