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**NATIONAL ELECTRONICS HOLDINGS LIMITED**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 213)**

**DISCLOSEABLE TRANSACTION**  
**DISPOSAL OF 20% OF THE ISSUED SHARE CAPITAL**  
**OF ROEBUCK II INVESTMENTS LIMITED**

On 23 December 2011, the Purchaser (as purchaser), National Hotel (as one of the sellers), CPI (as one of the sellers) and CHI (as guarantor) entered into the Share Purchase Agreement, pursuant to which the Sellers have agreed to sell and the Purchaser has agreed to purchase, in aggregate the entire issued share capital of Roebuck II and the benefit of the Shareholder Loan outstanding as on the Completion Date, free from all Encumbrances and with all rights now attached to the Sale Shares on the Completion Date.

The total Consideration is the aggregate of (i) HK\$318,000,000, (ii) the Completion Date NAV and (iii) the Post-Completion Adjustment. First Deposit has been paid to the Sellers on 23 December 2011 upon the execution of the Share Purchase Agreement, and if Completion does not take place on or before 26 January 2012, the Purchaser will pay the Second Deposit to the Sellers on 26 January 2012, to be held in accordance with the Terms (as defined below) of the Share Purchase Agreement. All payments due by the Purchaser to the Sellers are payable as to 20% to National Hotel and 80% to CPI.

Completion will take place in Macau (or at such other place as the Sellers and the Purchaser may agree in writing) on the Completion Date.

National Hotel and CPI currently hold 20% and 80% of the issued share capital of Roebuck II respectively. Upon Completion, the Purchaser will hold the entire issued share capital of Roebuck II.

## **(I) INTRODUCTION**

The Board is pleased to announce that on 23 December 2011, the Purchaser (as purchaser), National Hotel (as one of the sellers), CPI (as one of the sellers) and CHI (as guarantor) entered into the Share Purchase Agreement.

## **(II) SHARE PURCHASE AGREEMENT**

**Date** 23 December 2011

### **Parties**

**Sellers :** CPI Asia National 2 Limited

National Hotel Holdings Limited, an investment holding company and an indirect wholly-owned subsidiary of the Company

**Purchaser:** Capitalkey Limited

**Guarantor:** CHI Management Limited

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

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

Pursuant to the Share Purchase Agreement, the Sellers agreed to sell (in proportion to their respective shareholding interests in Roebuck II, that is, 20% as to National Hotel and 80% as to CPI), and the Purchaser agreed to purchase, the Sale Shares and the benefit of the Shareholder Loan outstanding as on the Completion Date, free from all Encumbrances and with all rights now attached to the Sale Shares (including the right to receive all dividends and other distributions declared, made or paid on or after the Completion Date), on the Completion Date.

The Sale Shares in aggregate represents 100% of the issued share capital of Roebuck II, and Roebuck II indirectly owns the 100% of the issued share capital of Super Plus, which in turn owns the Property.

### **Consideration and payment terms**

The total Consideration is the aggregate of (i) HK\$318,000,000, (ii) the Completion Date NAV and (iii) the Post-Completion Adjustment.

The Sellers will, not less than 5 Business Days before Completion, deliver to the Purchaser the Completion Date NAV Statement setting forth the Completion Date NAV.

Also, no later than 15 Business Days after the Completion Date, the Parties shall (i) engage the Accounting Firm to prepare the Completion Audited Financial Statements and (ii) procure that the Completion Audited Financial Statements and the Post-Completion NAV Statement setting forth the Post-Completion NAV shall be delivered to the Purchaser.

The Post-Completion Adjustment shall be paid within 5 Business Days following delivery of the Post-Completion NAV Statement and is calculated as follows:

- (a) If the Post-Completion NAV is higher than the Completion Date NAV, the Post-Completion Adjustment shall be the Post-Completion Payment Amount and the Consideration shall be increased by the Post-Completion Payment Amount, which shall become due to the Sellers; and
- (b) If the Completion Date NAV is higher than the Post-Completion NAV, the Post-Completion Adjustment shall be the Post-Completion Refund Amount and the Consideration shall be reduced by the Post-Completion Refund Amount, which shall become due to the Purchaser.

As at 31 October 2011, which is the latest unaudited accounts of Roebuck Group Companies on a consolidated basis, the net asset value of Roebuck Group Companies was approximately HK\$37,898,000. As the total Consideration is the aggregate of HK\$318,000,000, the Completion Date NAV and the Post-Completion Adjustment, but the Completion Date NAV and the Post-Completion Adjustment cannot be obtained at the date of this announcement, the Directors consider that (i) the net asset value of Roebuck Group Companies based on the unaudited accounts of Roebuck Group Companies on a consolidated basis as at 31 October 2011 is a good approximation of the Completion Date NAV, and that (ii) the Post-Completion Adjustment, which is merely the difference between an unaudited and audited figure, will be expected to be minimal, and hence considers that the value of the total Consideration will not change the nature of the Disposal from being a discloseable transaction after the Post-Completion Adjustment. If the value of the total Consideration after the Post-Completion Adjustment changes the size of the transaction from being a discloseable transaction, the Company will duly comply with the Listing Rules and make appropriate disclosures in accordance with Chapter 14 of the Listing Rules.

All payments due by the Purchaser to the Sellers are payable as to 20% to National Hotel and 80% to CPI, which will be satisfied in the following manner:

***First Deposit***

Upon the execution of the Share Purchase Agreement on 23 December 2011, the Purchaser has paid the First Deposit to the Sellers, to be held in accordance with the Terms (as defined below).

***Second Deposit***

If Completion does not take place on or before 26 January 2012, the Purchaser will pay the Second Deposit to the Sellers on 26 January 2012, to be held in accordance with the Terms (as defined below).

***Terms upon which the Total Deposit to be held***

The Total Deposit will be held by the Sellers on the following terms and conditions (the “**Terms**”):

- (a) the Total Deposit will upon Completion represent part payment of the Consideration;
- (b) if Completion does not take place because the Purchaser has failed to perform any one or more of its obligations under the Share Purchase Agreement, and the Share Purchase Agreement is terminated by the Sellers, the Total Deposit will be forfeited in favour of the Sellers upon such termination;
- (c) if Completion does not take place because the Sellers have failed to perform any one or more of their obligations under the Share Purchase Agreement, and the Share Purchase Agreement is terminated by the Purchaser, the Total Deposit will be returned to the Purchaser upon such termination; or
- (d) if Completion fails to take place for any other reason and the Share Purchase Agreement is terminated howsoever, the Total Deposit will be forfeited in favour of the Sellers upon such termination.

The Consideration has been determined after arm’s length negotiations between the Parties with reference to, among other things, the value of Property as ascertained by the Purchaser. The Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Completion**

Completion will take place in Macau (or at such other place as the Sellers and the Purchaser may agree in writing) on the Completion Date, and the Purchaser shall pay the sum of HK\$318,000,000 plus the Completion Date NAV minus the Total Deposit at Completion. For the avoidance of doubt, all of the Sale Shares are to be transferred by CPI and National Hotel to the Purchaser or its nominee(s) simultaneously at Completion.

## **Guarantee**

CHI guarantees to the Sellers the performance of the Purchaser's obligations in accordance with the Share Purchase Agreement (including, without prejudice to the generality of the foregoing, to pay the Consideration). The guarantee is a continuing guarantee which will remain in force until all the Purchaser's obligations under the Share Purchase Agreement have been fulfilled.

## **(III) REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Directors consider that the Disposal provides a good opportunity for the Group to realise the Property 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 the Shareholders as a whole.

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

## **(IV) INFORMATION OF ROEBUCK II**

Roebuck II is an investment holding vehicle incorporated on 2 March 2006 and indirectly wholly-owns the Property through Schofield and Super Plus. The Property comprise a hotel on which it is erected and has a total gross floor area of approximately 41,705 square feet and is located at Nos. 137 and 138 Connaught Road West, Hong Kong.

Upon Completion, the Purchaser will hold the entire issued share capital of Roebuck II.

The unaudited net profit before and after taxation and extraordinary items attributable to Roebuck Group Companies on a consolidated basis was approximately HK\$26,674,000 and HK\$22,271,000 respectively for the year ended 31 December 2010, and was approximately HK\$48,130,000 and HK\$46,260,000 respectively for the year ended 31 December 2009.

As at 31 October 2011, the unaudited net asset value of Roebuck Group Companies on a consolidated basis was approximately HK\$37,898,000. Based on such net asset value, a loss of approximately HK\$4,603,000 is expected to accrue to the Group upon Completion, after taking into account of 20% of the Existing Bank Loan and related expenses paid or payable by the Group of approximately HK\$500,000 in relation to the Disposal.

## **(V) INFORMATION OF THE COMPANY, SELLERS AND PURCHASER**

### **Information of CPI**

CPI is an investment holding company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of a real estate fund.

### **Information of National Hotel**

National Hotel is an investment holding company incorporated in the British Virgin Islands and is an indirect wholly-owned subsidiary of the Company.

### **Information of the Purchaser**

The Purchaser is a company incorporated in the British Virgin Islands and is an Independent Third Party.

### **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.

## **(VI) LISTING RULES IMPLICATIONS**

As the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceed 5% but do not exceed 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements but is exempt from Shareholders' approval requirement under the Listing Rules.

## **DEFINITIONS**

“Accounting Firm”                      the auditors of Super Plus as at the date of the Share Purchase Agreement

“associates”                                has the meaning ascribed in the Listing Rules

“Bank”	Industrial and Commercial Bank of China (Asia) Limited
“Board”	the board of directors of the Company
“Business Day”	a day other than a Saturday or Sunday, on which banks are open in Hong Kong and New York to the general public for business
“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 the sale and purchase of the Sale Shares and assignment of the Shareholder Loan in accordance with the Share Purchase Agreement
“Completion Audited Financial Statements”	the audited financial statements of the Roebuck Group as at the Completion Date to be prepared by the Accounting Firm engaged by the Parties no later than 15 Business Days after the Completion Date;
“Completion Date”	23 March 2012, or such other date as may be agreed between the Sellers and the Purchaser
“Completion Date NAV”	the projected Net Asset Value as at the Completion Date;
“Completion Date NAV Statement”	the pro forma statement setting out the balance sheet and Completion Date NAV (expressed in HK\$) to be prepared by the Sellers (in substantially the form set out in Schedule 7 of the Share Purchase Agreement) setting forth the Completion Date NAV
“connected person(s)”	has the meaning ascribed in the Listing Rules
“Consideration”	the total amount to be paid by the Purchaser to the Sellers for the Sale Shares, being the aggregate of (i) the sum of HK\$318,000,000, (ii) the Completion Date NAV and (iii) the Post-Completion Adjustment
“CHI”	CHI Management Limited, a company incorporated under the laws of Hong Kong, with registration No. 1115908 and is an Independent Third Party

“CPI”	CPI National 2 Limited, a company incorporated under the laws of the British Virgin Islands, with registration No. 1015778 and owns 80% of the entire issued share capital of Roebuck II
“Deferred Tax Liability”	the deferred tax liability (if any) accrued or deemed to have accrued as at the relevant date in respect of any appreciation of the capital value of the Property
“Directors”	the directors of the Company
“Disposal”	the disposal of 20% of the Sale Shares held by National Hotel
“Encumbrances”	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect and any agreement or obligation to create or grant any of the aforesaid
“Existing Bank Loan”	means the principal, interest and other sums and indebtedness due owing or payable to the Bank by the Roebuck Group from time to time (which amounts to HK\$157,660,000 as at 31 October 2011)
“First Deposit”	the sum of HK\$31,800,000 payable by the Purchaser to the Sellers, to be held in accordance with the Terms
“Group”	collectively the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“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
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited



“National Hotel”	National Hotel Holdings Limited, a company incorporated under the laws of the British Virgin Islands, with registration No. 688493, an indirect wholly-owned subsidiary of the Company and owns 20% of the entire issued share capital of Roebuck II
“Net Asset Value”	as at the relevant date, the total assets of the Roebuck Group Companies on a consolidated basis (excluding the Property, furniture, fixtures and equipment thereon, prepaid expenses on tenancy improvements and/or leasehold improvements and any shareholder loan of the Roebuck Group Companies) minus the total liabilities of the Roebuck Group Companies on a consolidated basis (excluding the outstanding liability associated with the Existing Bank Loan, any provision for Deferred Tax Liability and amounts due to shareholders)
“Parties”	the Sellers, the Purchaser and CHI, and “ <b>Party</b> ” means any of them
“Post-Completion Adjustment”	the Post-Completion Payment Amount or the Post-Completion Refund Amount, as applicable, which is a part of the Consideration
“Post-Completion NAV”	the Net Asset Value of the Roebuck Group as at the Completion Date
“Post-Completion NAV Statement”	a statement based on the Completion Audited Financial Statements setting forth the Post-Completion NAV (expressed in HK\$)
“Post-Completion Payment Amount”	the amount by which the Post-Completion NAV is higher than the Completion Date NAV
“Post-Completion Refund Amount”	the amount by which the Completion Date NAV is higher than the Post-Completion NAV

“Property”	ALL THOSE pieces or parcels of ground situate at Hong Kong and registered at the Land Registry as THE REMAINING PORTION OF SECTION O OF MARINE LOT NO.414 and THE REMAINING PORTION OF SECTION P OF MARINE LOT NO.414 TOGETHER with the messages, erections and buildings thereon known as NOS.137 AND 138 CONNAUGHT ROAD WEST, HONG KONG
“Purchaser”	Capitalkey Limited, a company incorporated under the laws of the British Virgin Islands, with registration No. 1035605 and is an Independent Third Party
“Roebuck II”	Roebuck II Investments Limited, a company incorporated under the laws of the British Virgin Islands, with registration No. 1013511 and is owned by National Hotel and CPI as to 20% and 80% respectively
“Roebuck Group”	collectively Roebuck II and the Subsidiaries, and <b>“Roebuck Group Companies”</b> and <b>“Roebuck Group Company”</b> shall be construed accordingly
“Sale Shares”	100 ordinary shares of US\$1.00 each in the capital of Roebuck II, being 100% of the issued shares in the capital of Roebuck II
“Schofield”	Schofield Developments Limited, a company incorporated under the laws of the British Virgin Islands, with registration No. 181761 and is a wholly-owned subsidiary of Roebuck II
“Second Deposit”	the sum of HK\$15,900,000 payable by the Purchaser to the Sellers, to be held in accordance with the Terms
“Sellers”	Collectively CPI and National Hotel, and <b>“Seller”</b> means either of them
“Share Purchase Agreement”	the share purchase agreement dated 23 December 2011 entered into between the Purchaser, the Sellers and CHI in relation to the disposal of the Sale Shares by the Sellers to the Purchaser

“Shareholder Loan”	outstanding loan owed by the Roebuck Group to the Sellers from time to time (which amounts to HK\$72,827,225 as at the date of the Share Purchase Agreement)
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	each of Schofield and Super Plus, and “ <b>Subsidiaries</b> ” means all of them
“Super Plus”	Super Plus Limited, a company incorporated in Hong Kong, with registration No. 550475 and is a wholly-owned subsidiary of Schofield and an indirect-wholly owned subsidiary of Roebuck II
“Total Deposit”	the aggregate of First Deposit and, if paid pursuant to the Terms, the Second Deposit
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	percent

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

Hong Kong, 23 December 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.*