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NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

DISCLOSEABLE TRANSACTIONS

On 6 April 2006, NHHL entered into the Disposal Agreement with the Purchaser pursuant to which NHHL conditionally agreed to sell and the Purchaser agreed to purchase the Sale Shares in Roebuck, representing 80% of the issued share capital of Roebuck at the consideration of HK\$31,963,714 (subject to adjustments as mentioned below).

Upon completion of the Disposal, the Vendor, the Purchaser and Roebuck will enter into the Shareholders' Deed to regulate the relationship between the parties and provide for the management and the conduct of the business of Roebuck. Under the Shareholders' Deed, the total capital commitment of NHHL in Roebuck will be HK\$6,622,000 which comprises of a shareholder's loan of approximately HK\$4,622,000 (subject to finalization as mentioned below) and a further financing obligation of up to HK\$2,000,000.

Each of the Disposal and the total commitment of the Company under the Shareholders' Deed constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing details of the Disposal and the Shareholders' Deed will be despatched to the Shareholders as soon as possible.

THE DISPOSAL AGREEMENT

Date: 6 April 2006

Parties to the Agreement: NHHL, a wholly-owned subsidiary of the Company, as the vendor
CPI Asia National 1 Limited as the purchaser

NPHL, a wholly-owned subsidiary of the Company, as the guarantor of NHHL

NHHL agreed to sell and the Purchaser agreed to purchase the Sale Shares representing 80% of the issued share capital of Roebuck for a consideration of HK\$31,963,714 (subject to adjustments as mentioned below).

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

The Purchaser is an investment holding company and a wholly-owned subsidiary of CBC International Real Estate LP LLC.

Conditions:

Completion of the Disposal Agreement is subject to the Company obtaining of all approvals required by and the compliance of all the requirements imposed by the Stock Exchange for implementation and execution of the transaction contemplated under the Disposal Agreement.

If the condition is not satisfied on or before 5 p.m. on the Long Stop Date, the Purchaser may at its option postpone the date by which the condition should have been satisfied or terminate the Disposal Agreement. Completion will take place on 6 June 2006 or such other date as agreed by the parties.

Consideration:

The consideration payable by the Purchaser under the Disposal Agreement was arrived at after arms length negotiations between NHHL and the Purchaser with reference to the value of the Project Site as ascertained by the Purchaser, the gain expected to accrue to the Company as a result of the Disposal of approximately HK\$75 million and taken into account the net liabilities of the Roebuck Group as at 31 March 2006. In addition, when determining the consideration, the Company has also taken into account the fact that upon Completion and apart from the capital commitment referred to under the paragraph headed "Shareholders' Deed" below, no further capital injection will be required from the Company to complete the project.

The consideration payable by the Purchaser to NHHL under the Agreement is HK\$31,963,714 (subject to adjustments) and was/shall be satisfied as follows:

- (i) HK\$8,000,000 upon signing of the Disposal Agreement and was paid to the Purchaser's solicitors as escrow agent; and
- (ii) upon Completion, the balance of the consideration (i.e. HK\$23,963,714)

Within 15 days from the Completion Date, NHHL shall prepare a Completion Statement and calculate the Net Current Asset Value in accordance with the terms of the Disposal Agreement and the parties will attempt to mutually agree on such items. If NHHL and the Purchaser cannot agree the Completion Statement and the Net Current Asset Value within 15 days from the receipt of the Completion Statement from NHHL, an independent firm of international public accountants will be appointed to audit the Completion Statement and to determine the Net Current Asset Value.

The consideration will be subject to the following adjustments upon determination of the Completion Statement and the Net Current Asset Value:

- (i) there shall be added to the consideration 80% of the amount (if any) by which the Net Current Asset Value is more than HK\$1,095,779, being the Net Current Asset Value as at 31 March 2006; and
- (ii) there shall be deducted from the consideration 80% of the amount (if any) by which the Net Current Asset Value is less than HK\$1,095,779, being the Net Current Asset Value as at 31 March 2006.

Any excess paid on Completion will be returned forthwith to the Purchaser without interest and any shortfall will be paid forthwith to NHHL without interest.

Other terms:

Under the terms of the Disposal Agreement, NHHL has agreed that:

- (i) in the event that there is a Cost Overrun, NHHL will pay to Forthright an amount equal to the Cost Overrun; and
- (ii) in the event that issuance of the Occupation Permit is delayed beyond 31 October 2006 other than to the extent caused by fire, flood, explosion or any other similar acts of God, NHHL will pay to Forthright, by way of liquidated damages, HK\$20,000 per day from but excluding 31 October 2006 up to and including the date on which the Occupation Permit is issued,

provided that the aggregate liability of NHHL pursuant to (i) and (ii) above will not exceed HK\$10,000,000.

Guarantee:

NPHL acts as a guarantor under the Disposal Agreement to guarantee to the Purchaser certain performance and payment obligations of NHHL under the Disposal Agreement.

SHAREHOLDERS' DEED

Upon completion of the Disposal, NHHL, the Purchaser, Roebuck and NPHL (as guarantor) will enter into the Shareholders' Deed to regulate the relationship between the parties and provide for the management and the conduct of the business of Roebuck.

Under the terms of the Disposal Agreement and the Shareholders' Deed, each of NHHL and the Purchaser will be responsible for a shareholder loan equal to 20% and 80% respectively of the shareholder loan outstanding as at Completion after repayment of a portion thereof out of funds drawn down under external financing. The amount of such outstanding shareholder loan will be determined and finalized on the Completion Date. As at 31 March 2006, the amount of shareholder loan is approximately HK\$82 million. The Company estimated that the portion of the shareholder loan that NHHL will be responsible is approximately HK\$4,622,000.

In addition, pursuant to the terms of the Shareholders' Deed, Roebuck may call for advance of shareholder loan by NHHL and the Purchaser on a pro rata basis in proportion to their then respective percentage interests in Roebuck provided that such loan will not exceed HK\$10,000,000 in aggregate. Accordingly, NHHL's further financing obligation will be up to HK\$2,000,000.

NPHL also acts as a guarantor under the Shareholders' Deed to guarantee to the Purchaser certain performance and payment obligations of NHHL under the Shareholders' Deed.

ROEBUCK

Roebuck is an investment holding vehicle incorporated on 2 February 1993 and wholly-owns Gilligan Developments Ltd. Gilligan Developments Ltd. and Roebuck hold 60% and 40% respectively of the issued share capital of Forthright. Forthright acquired the Project Site on 9 June 2003 which is under development into a luxury boutique hotel.

Regarding the Project Site, the entire 30-storeyed reinforced concrete superstructure carcass was completed and topped out in March 2006 and the Occupation Permit is expected to be obtained by the end of October 2006.

After Completion, Roebuck will be owned as to 80% by the Purchaser and 20% by NHHL and will cease to be a subsidiary of NHHL.

Based on the unaudited combined financial statements of the Roebuck Group for the 12 months ended 31 March 2005 and 31 March 2006, (i) the total assets of the Roebuck Group are approximately HK\$40.1 million and HK\$73.2 million respectively, (ii) the total liabilities of the Roebuck Group are approximately HK\$94.3 million and HK\$127.4 million respectively and (iii) the net loss of the Roebuck Group are approximately HK\$2.2 million and HK\$44,704 respectively. The Roebuck Group suffered net loss in the preceding two financial years as the Project Site is still at the development stage and substantial costs have been incurred for the construction while no income has yet been generated.

The gain expected to accrue to the Company as a result of the Disposal is approximately HK\$75 million. Such gain is calculated based on the aggregate of the consideration to be received by NHHL and 80% of the unaudited combined net liabilities of the Roebuck Group as at 31 March 2006 to be assumed by the Purchaser.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE JOINT VENTURE ARRANGEMENT

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture, assembly and sale of electronic watches, watch movements, watch parts, property development, trading and investment.

The Company considers the Disposal to be a good opportunity for the Company to realize its investment in the luxury boutique hotel market in Hong Kong. The joint venture also provides the Company with a valuable opportunity to co-invest with an investment partner of such prestige in the luxury boutique hotel market and there may be further opportunities to work with this investment partner in the future. The proceeds from the Disposal will be used as general working capital of the Company.

The Directors (including the independent non-executive Directors) consider that the Disposal and the joint venture arrangement are on normal commercial terms and that such terms are fair and reasonable to the Company and the Shareholders.

GENERAL INFORMATION

The Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

The total commitment (including guarantees provided by NPHL) of the Company under the Shareholders' Deed constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

A circular will be despatched to the Shareholders containing further details of the Disposal and the joint venture arrangement.

Definitions

The following terms are used in this announcement within the meanings set opposite them:-

“Business Day”	a day other than a Saturday, Sunday on which banks are open in Hong Kong to the general public for business during their normal business hours;
“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 Disposal Agreement;
“Completion Date”	6 June 2006 or such other date as the parties may agree or to which Completion is postponed in accordance with the Disposal Agreement as being the date on which Completion takes place;
“Completion Statement”	the unaudited or audited balance sheet of the Roebuck Group as at the Completion;
“Cost Overrun”	each amount, if any, by which expenditure on construction costs (including any interest accrued or payable prior to the expiry of two months following the date of issuance of the Occupation Permit and front-end or arrangement fees payable in relation to external financing) whether made before or after the date of the Disposal Agreement exceeds HK\$69,618,899;
“Directors”	the directors of the Company;
“Disposal”	the disposal of the Sale Shares by NHHL to the Purchaser pursuant to the Disposal Agreement;
“Disposal Agreement”	the conditional sale and purchase agreement dated 6 April 2006 entered into by NHHL, the Purchaser and NPHL in relation to the sale and purchase of the Sale Shares;
“Forthright”	Forthright Investment Limited, a company incorporated in Hong Kong and a subsidiary of Roebuck;
“Group”	the Company and its subsidiaries;
“Independent Third Parties”	third parties independent of the Company, its director, chief executive or substantial shareholder or any of its subsidiaries or an associate of any of them;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	5 Business Days prior to the Completion Date or such other date as the parties may agree in writing;
“NHHL”	National Hotel Holdings Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company;
“NPHL”	National Properties Holdings Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company;

“Net Current Asset Value”	the aggregate of receivables owing to the Roebuck Group, as at the Completion Date, less than 45 days outstanding, prepayments made by a member of the Roebuck Group as at the Completion Date and all cash at bank owned by each of the member of the Roebuck Group as at the Completion Date less the aggregate of all liabilities and provisions of the Roebuck Group as at the Completion Date (but excluding the shareholder Loan and the existing bank loan, in each case, as shown in the Completion Statement);
“Occupation Permit”	the written permission to be issued by the Building Authority under the provisions of the Buildings Ordinance for the building to be occupied and includes a temporary occupation permit;
“Project Site”	a piece of land located at No.202 to No.206 Queen’s Road Central, Hong Kong;
“Purchaser”	CPI Asia National 1 Limited, a company incorporated in the British Virgin Islands;
“Roebuck”	Roebuck Investments Limited, a company incorporated in the British Virgin Islands;
“Roebuck Group”	Roebuck and its subsidiaries;
“Sale Shares”	80 shares of US\$1 each in the share capital of Roebuck, representing 80% of the issued share capital of Roebuck;
“Shareholders”	the shareholders of the Company;
“Shareholders’ Deed”	the shareholders’ deed to be entered into amongst NHHL, the Purchaser, Roebuck and NPHL upon Completion;
“Stock Exchange”	the Stock Exchange of Hong Kong Limited.

As at the date of this announcement, the executive Directors are Mr. Lee Yuen Ching, Jimmy, Mr. Lee Yuen Kui, James, Mr. Lee Yuen Wong, Peter, and Mr. Lee Yuen Cheor, Edward, the non-executive Director is Miss 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.

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

Hong Kong, 10 April 2006