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## **NATIONAL ELECTRONICS HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 213)**

### **DISCLOSEABLE TRANSACTION**

#### **DISPOSAL OF PROPERTY**

##### **DISPOSAL**

On 16 May 2006, the Vendor entered into the Agreement with the Purchaser for the sale and purchase of the Property, which consists of two commercial units in Lippo Centre, Queensway, Hong Kong. The consideration for the Disposal of the Property by the Purchaser is HK\$39,960,000.

The transaction contemplated under the Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing details of the Disposal will be despatched to the Shareholders as soon as practicable.

##### **The Property**

Date of the Agreement:	16 May 2006
Vendor:	Samford Limited, an indirectly wholly-owned subsidiary of the Company
Purchaser:	Roxy Property Investment Co., Ltd., an Independent Third Party
Property:	Room 2802 (also known as Room 2802A) and Room 2803 (also known as Room 2802B) on the 28th Floor of Tower One, Lippo Centre, 89 Queensway, Hong Kong with a total of floor area of 3,992 square feet
Summary:	The Agreement was entered into between the Vendor and the Purchaser pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Property. The consideration for the Disposal is HK\$39,960,000. The parties are required to enter into a formal agreement for the sale and purchase of the Property on or before 29 May 2006. The Agreement is legally binding on the Vendor and the Purchaser.

The Disposal was conducted through an estate agent which is an Independent Third Party. The initial deposit being HK\$2,000,000 has been paid to the Vendor by the Purchaser upon signing of the Agreement. Further deposit in the sum of HK\$1,996,000 is payable to the Vendor on 29 May 2006 and the remaining consideration for the purchase of the Property being HK\$35,964,000 is payable on completion. The Disposal is expected to be completed on or before 17 July 2006.

##### **Reasons for and benefits of the Disposal of the Property**

The Property is located in the prime commercial district in Admiralty, Hong Kong and was acquired by the Group on 31 October 2000. The Property has been leased to third parties since it was acquired by the Group until 30 September 2004.

In light of the increase in the value of real estate in the Hong Kong property market and the substantial gain expected to be generated from the proposed Disposal, the Directors consider that it is an opportunity for the Group to realise its investment in the property market. The Group purchased the Property on 31 October 2000 at a cost of HK\$24.2 million. The book value of the Property as at 31 March 2006 is approximately HK\$ 26.4 million. Based on such book value, the expected aggregate gain accrued to the Group upon completion of the Disposal is approximately HK\$13 million after taking into account of commissions and other expenses payable by the Group in relation to the Disposal of approximately HK\$500,000.

The Group intends to use the sale proceeds from the Disposal of approximately HK\$18.5 million for repayment of bank loans and the balance for general working capital of the Group.

The net losses before and after taxation and extraordinary items attributable to the Property are approximately HK\$289,000 and HK\$1,267,000 for the two financial years ended 31 March 2006 respectively. The Property was not rented out since 30 September 2004 and since then no rental income was generated from the Property. The Group did not seek a new tenant because it planned to dispose the Property as vacant units. The Group continued to incur expenses such as interests on bank loans, management fees and rates on the Property and therefore it resulted in net losses for the two financial years ended 31 March 2006 respectively. As at 30 September 2004, the Property was rented out at a monthly rent of HK\$71,856.

The Directors confirm that the consideration for the Property has been determined after arm's length negotiations between the parties by reference to the market value of similar properties in the same location. Based on information obtained from real-estate agent, the current price per square feet of Lippo Centre as at May 2006 is approximately HK\$8,500 and the market value of the Property with total floor area of square feet of 3,992 is therefore approximately HK\$33,932,000. The consideration of the Disposal is at 18% premium compared to such market value. The Directors considered that the Disposal at such premium is a good opportunity for the Company to realise its investment.

The Directors are of the view that the proposed Disposal is in the interest of the Company and the terms of the Agreement and the consideration are fair and reasonable in the interests of the Company and the Shareholders as a whole.

### **Information of the Group and the Purchaser**

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 Vendor is a company incorporated in Hong Kong for the purpose of investments holding.

The Purchaser is a company incorporated in Hong Kong which is principally engaged in property investment.

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

### **General**

As the consideration for the Disposal represents more than 5% but less than 25% of the applicable percentage ratios, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing details of the Disposal will be despatched to the Shareholders as soon as practicable.

### **Definitions**

In this announcement, the following terms have the following meanings: –

“Agreement” the provisional agreement dated 16 May 2006 between the Vendor and the Purchaser for the sale and purchase of the Property;

“Company” National Electronics Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange;

“Directors”	the directors of the Company;
“Disposal”	the proposed disposal of the Property by the Vendor pursuant to the Agreement dated 16 May 2006;
“Group”	the Company and its subsidiaries;
“Independent Third Party(ies)”	(an) independent third party(ies) not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Purchaser”	Roxy Property Investment Co., Ltd., a company incorporated in Hong Kong and the beneficial owners of which are all Independent Third Parties;
“Property”	Room 2802 (also known as Room 2802A) and Room 2803 (also known as Room 2802B) on the 28th Floor of Tower One, Lippo Centre, 89 Queensway, Hong Kong with a total of floor area of 3,992 square feet;
“Shares”	ordinary share(s) of HK\$0.1 each in the share capital of the Company;
“Shareholder(s)”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Vendor”	Samford Limited, a company incorporated in Hong Kong, which is an indirectly wholly-owned subsidiary of the Company;

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

Dated: 23 May 2006

*As at the date of this announcement, the executive Directors of the Company 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 of the Company 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.*