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NATIONAL ELECTRONICS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 213)

MAJOR TRANSACTION DISPOSAL OF PROPERTY AND RESUMPTION OF TRADING IN SHARES

Disposal of Property

On 18 April 2007, the Vendor, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser to dispose the Property at a consideration of HK\$136,000,000.

The Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is conditional on approval by the Shareholders. The Company has obtained a written approval for the Disposal from a closely allied group of Shareholders who together hold approximately 52.49% of the issued share capital of the Company as at the date of the Agreement. Accordingly, no general meeting for the Shareholders' approval of the Disposal will be held. A circular containing details of the Agreement as well as the valuation report of the Property will be despatched to the Shareholders as soon as practicable.

Resumption of Trading in Shares

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 2:30 p.m. on 18 April 2007 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 20 April 2007.

On 18 April 2007, the Vendor, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser to dispose the Property at a consideration of HK\$136,000,000.

AGREEMENT DATED 18 APRIL 2007

Parties

Purchaser: Chalco Hongkong Limited, an Independent Third Party

Vendor: Cinic Limited

Information of the Property

The Property is located at 45th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong. The Property is an office premises with a gross floor area of 10,801 sq.ft..

Consideration and payment terms

The consideration for the Disposal of HK\$136,000,000 has been determined after arm's length negotiations between the parties by reference to the market value of the Property of HK\$128,000,000 as at 17 April 2007, being a value indication by an independent valuer, DTZ Debenham Tie Leung Limited. The Group currently intends to use the net proceeds from the Disposal of approximately HK\$116.5 million for repayment of bank loan and approximately HK\$17.9 million for general working capital of the Group.

The consideration for the Disposal shall be payable to the Vendor in cash in the following manner:

- (a) an initial deposit in the sum of HK\$2,000,000 has been paid by the Purchaser upon signing of the Agreement;
- (b) a further deposit of HK\$11,600,000 shall be paid by the Purchaser on or before 30 April 2007; and
- (c) the remaining balance of HK\$122,400,000 shall be paid by the Purchaser upon completion on or before 25 May 2007.

Completion

Pursuant to the Agreement, the parties are required to enter into a formal agreement for the sale and purchase of the Property on or before 30 April 2007. Completion of the sale and purchase of the Property shall take place on or before 25 May 2007. Upon completion, the Vendor shall deliver vacant possession of the Property to the Purchaser.

REASON FOR THE DISPOSAL

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. The Property was acquired by the Group on 30 January 1997. It was initially used by the Group as an office until September 2000. Since then, the Property was leased to an Independent Third Party until September 2006. The Property is currently vacant. The Directors consider that the Disposal provides an opportunity for the Group to realise the Property and provide working capital for the Group in view of the present property market in Hong Kong. The Directors consider that the disposal of the Property is in the interest of the Company and the terms of the Agreement are fair and reasonable as far as the Shareholders are concerned.

The net profit both before and after taxation and extraordinary items attributable to the Property was set out in the table below.

	For the year ended 31 March	
	2005	2006
	<i>HK\$'million</i>	<i>HK\$'million</i>
Net loss before increase in fair value of the Property	(1.0)	(2.5)
Increase in fair value of the Property	26.0	8.0
Net profit before and after taxation and extraordinary items attributable to the Property	<u>25.0</u>	<u>5.5</u>

Note: Since the rental income could not cover the expenses which were mainly the depreciation charges and the bank loan interest expenses, net loss before increase in fair value of the Property was resulted.

As at 30 September 2006, the unaudited net book value of the Property was approximately HK\$118.5 million. Based on such net book value, a gain of approximately HK\$15.9 million is expected to accrue to the Group upon completion of the Agreement after taking into account of the related expenses payable by the Group of approximately HK\$1.6 million.

GENERAL

As the relevant percentage under the size tests (as defined in the Listing Rules) exceed 25% but not exceed 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is conditional on approval by the Shareholders.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval for the Disposal may be obtained by written Shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal; and (b) written Shareholders' approval has been obtained from a closely allied group of Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Disposal. So far as the Directors are aware after making reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal. The Company has obtained a written approval for the Disposal from the following closely allied group of Shareholders who together hold approximately 52.49% of the issued share capital of the Company as at the date of the Agreement:

- (1) Brentford Investments Limited, holding 252,102,979 Shares (representing approximately 24.39% of the issued share capital of the Company), which is wholly owned by a discretionary trust of which each of Messrs James Lee Yuen Kui, Peter Lee Yuen Wong and Edward Lee Yuen Cheor, the executive directors of the Company, are named beneficiaries. Mr. Jimmy Lee Yuen Ching is the cousin of Messrs James Lee Yuen Kui, Peter Lee Yuen Wong and Edward Lee Yuen Cheor;
- (2) Fenmore Investments Limited, holding 253,106,873 Shares (representing approximately 24.49% of the issued share capital of the Company), which is wholly owned by a discretionary trust of which Mr. Jimmy Lee Yuen Ching, an executive director of the Company, and his family members are named beneficiaries. Mr. Jimmy Lee Yuen Ching is the cousin of Messrs James Lee Yuen Kui, Peter Lee Yuen Wong and Edward Lee Yuen Cheor; and
- (3) Bursa Investment Limited, holding 32,646,150 Shares (representing approximately 3.16% of the issued share capital of the Company), and Valera Investment Limited, holding 4,621,617 Shares (representing approximately 0.45% of the issued share capital of the Company), which are wholly owned by Mr. Ricky Wai Kwong Yuen, an executive director of the Company.

The above closely allied group of Shareholders has been voting in the same way in all resolutions since they were Shareholders. They have been Shareholders for over 6 years. The most recent major transaction that was approved by these Shareholders by way of written resolution is the acquisition of a property announced by the Company in April 2006.

Accordingly, no general meeting for the Shareholders' approval of the Disposal will be held.

A circular containing details of the Agreement as well as the valuation report of the Property will be despatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING IN SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 2:30 p.m. on 18 April 2007 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 20 April 2007.

DEFINITIONS USED IN THIS ANNOUNCEMENT

“Agreement”	the preliminary agreement dated 18 April 2007 entered into 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 disposal of the Property by the Vendor pursuant to the Agreement
“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
“Property”	45th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Purchaser”	Chalco Hongkong Limited, a company incorporated in Hong Kong and the ultimate beneficial owners of which are Independent Third Parties
“Shareholder(s)”	the shareholders of the Company
“Shares”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Cinic Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company

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

Hong Kong, 19 April 2007

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, Mr. Lee Yuen Cheor, Edward and Mr. Wai Kwong Yuen, Ricky, the non-executive Director of the Company is Miss Lee Yuen Yu, Dorothy 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.