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## **NATIONAL ELECTRONICS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 213)**

### **DISCLOSEABLE TRANSACTION**

#### **DISPOSAL OF PROPERTY**

##### **Disposal of Property**

On 5 October 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\$37,934,900.

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

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With respect to the acquisition and disposal of properties by the Company in the past 12 months, the board of Directors of the Company confirms that (i) the vendors and the purchasers and their ultimate beneficial owners of the past acquisitions and disposals do not have any relationship with the Purchaser; (ii) the Company has not disposed any properties adjacent to the Property; and (iii) the Company has not entered into any transactions with the Purchaser. As such, Rule 14.22 of the Listing Rules does not apply.

## **AGREEMENT DATED 5 OCTOBER 2007**

### **Parties**

Purchaser: Cantic Limited, a company incorporated in Hong Kong and the purchaser and the ultimate beneficial owners of which are Independent Third Parties

Vendor: Rever Limited

### **Information of the Property**

The Property is located at Unit 3201, 32nd Floor, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong. The Property is a commercial premises with a saleable area of 2,415 sq.ft..

### **Consideration and payment terms**

The consideration for the Disposal of HK\$37,934,900 has been determined after arm's length negotiations between the parties by reference to the market value of the Property of HK\$37,000,000 as at 5 October 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\$13.4 million for repayment of bank loan and approximately HK\$23.9 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\$1,500,000 has been paid by the Purchaser upon signing of the Agreement;
- (b) a further deposit of HK\$2,293,490 shall be paid by the Purchaser on or before 18 October 2007; and
- (c) the remaining balance of HK\$34,141,410 shall be paid by the Purchaser upon completion on or before 18 March 2008.

## **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 18 October 2007. Completion of the sale and purchase of the Property shall take place on or before 18 March 2008. 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 in December 2000. It was initially used by the Group for rental purposes until January, 2006. Since then, the Property has been 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 audited net loss both before and after taxation and extraordinary items attributable to the Property was approximately HK\$1.18 million for the year ended 31 March 2007. Since no rental income was received during this financial year and expenses such as interest expenses were incurred, a net loss was incurred.

The audited net loss both before and after taxation and extraordinary items attributable to the Property was approximately HK\$0.41 million for the year ended 31 March 2006. Since the rental income received during this financial year was not large enough to cover the interest expenses attributable to the Property, a net loss was incurred.

As at 31 March 2007, the audited net book value of the Property was HK\$23.3 million. Based on such net book value, a gain of approximately HK\$14.0 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\$0.6 million.

## **GENERAL**

As the relevant percentage under the size tests (as defined in the Listing Rules) exceed 5% but not exceed 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing details of the Agreement will be despatched to the Shareholders as soon as practicable.

## DEFINITIONS USED IN THIS ANNOUNCEMENT

“Agreement”	the preliminary agreement dated 5 October 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”	Unit 3201, 32nd Floor, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong
“Purchaser”	Cantic 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”

Rever 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, 8 October 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 Bon Chi, Loewe, Mr. Lee Yuen Cheor, Edward and Mr. Wai Kwong Yuen, Ricky, the non-executive Director of the Company 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.*