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NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

DISCLOSEABLE TRANSACTION

On 30 March 2011, the Vendor, a wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing 60.5% of the total issued share capital of Mercato for a total consideration of HK\$72,600,000. Completion of the sale and purchase of the Sale Shares took place on 30 March 2011.

Further, on the Completion Date, the Vendor, the Purchaser and Mercato entered into the Shareholders' Agreement to regulate the relationships between the parties and provide for the management and the conduct of the business of Mercato.

The Disposal constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements but is exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

THE DISPOSAL AGREEMENT

Date

30 March 2011

Parties

Vendor: Spring Orchard Limited, a wholly-owned subsidiary of the Company

Purchaser: GCPF Cayman Holding 9 Corp., an Independent Third Party, is an investment holding limited and a wholly-owned subsidiary of a real estate fund

Vendor Guarantor: the Company

The Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, representing 60.5% of the total issued share capital of Mercato for a total consideration of HK\$72,600,000.

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.

Consideration and payment terms

The Consideration of HK\$72,600,000 will be paid by the Purchaser to the Vendor in the following manner:

- (a) an initial payment in the sum of HK\$43,560,000, which represents 60% of the total Consideration, has been paid to the Vendor by the Purchaser on the Completion Date;
- (b) a further payment in the sum of HK\$7,260,000, which represents 10% of the total Consideration, will be paid to the Vendor by the Purchaser on 29 April 2011 (the "**Second Payment**");
- (c) a further payment in the sum of HK\$12,705,000, which represents 17.5% of the total Consideration, will be paid to the Vendor on the date falling within seven (7) days after the date of the certificate to be issued by an architect certifying the practical completion of certain Interior Fit-Out works in relation to the Project (the "**Third Payment**"); and
- (d) the balance of the Consideration, being HK\$9,075,000, which represents 12.5% of the total Consideration, will be paid to the Vendor on the date falling within seven (7) days after the Hotel License Issuance Date (the "**Fourth Payment**").

Share mortgages in respect of 61 Shares, 106 Shares and 75 Shares out of all the Sale Shares have been executed by the Purchaser (as mortgagor) in favor of the Vendor (as mortgagee) to secure the Purchaser's payment obligations in respect of the Second Payment, the Third Payment and the Fourth Payment respectively.

The Consideration has been determined after arm's length negotiations between the parties with reference to, among other things, the value of the 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 of the sale and purchase of the Sale Shares took place on the date of the Disposal Agreement. Mercato is currently owned as to 39.5% by the Vendor and 60.5% by the Purchaser and has ceased to be a subsidiary of the Vendor.

Other terms:

- (i) the Vendor shall procure Panteria to complete the Building Construction works and the Interior Fit-Out works in accordance with the specifications provided for under the Disposal Agreement, such that the Project will be fit for occupation and use as a hotel; and
- (ii) in the event that the Hotel License Issuance Date is delayed beyond the Hotel License Milestone Date, the Vendor covenants with the Purchaser that it will pay to the Purchaser, by way of liquidated damages, HK\$23,000 per day from but excluding the Hotel License Milestone Date, up to and including the Hotel License Issuance Date, any such amount due from the Vendor to the Purchaser shall be against the Purchaser's obligation to make the Fourth Payment.

In the event that the Hotel License has not been issued by the date which is six (6) months from the Hotel License Milestone Date, the Purchaser may exercise its rights under the relevant provisions of the Disposal Agreement and the Shareholders' Agreement.

Guarantee

The Company guarantees to the Purchaser the performance and payment obligations of the Vendor under the Disposal Agreement and the deed of tax indemnity entered into pursuant to the Disposal Agreement. The guarantees will remain effective until the obligations of the Vendor under the Disposal Agreement have been fully discharged.

SHAREHOLDERS' AGREEMENT

On the Completion Date, the Vendor, the Purchaser and Mercato entered into the Shareholders' Agreement to regulate the relationships between the parties and provide for the management and the conduct of the business of Mercato.

Business scope of Mercato

Unless otherwise agreed by the Vendor and the Purchaser, the sole business of Mercato is to continue to hold, by way of long term investment, shares in Panteria and the sole business of Panteria is to hold, by way of long term investment, the Property which shall be developed into a hotel and thereafter, to manage such hotel.

Constitution of the board of directors of Mercato

The board of directors of Mercato will comprise five (5) directors, including two (2) directors to be nominated by the Vendor and three (3) directors to be nominated by the Purchaser.

MERCATO

Mercato is an investment holding vehicle incorporated on 31 January 2011 and wholly-owned the Property through Panteria prior to Completion.

The Property has a total gross floor area of approximately 29,760 square feet located at No. 21 Whitfield Road, Hong Kong. The Property is under development into a hotel.

After Completion, Mercato is owned as to 39.5% by the Vendor and 60.5% by the Purchaser and ceased to be a subsidiary of the Vendor.

The audited net profit before and after taxation and extraordinary items attributable to Panteria was approximately HK\$11,000,000 and HK\$9,200,000 respectively for the year ended 31 March 2010.

The audited net profit before and after taxation and extraordinary items attributable to Panteria was approximately HK\$4,800,000 and HK\$4,700,000 respectively for the year ended 31 March 2009.

As at 31 December 2010, the unaudited net asset value of Panteria was approximately HK\$31,254,000. Based on such net asset value, a gain of approximately HK\$20,700,000 is expected to accrue to the Group upon Completion, after taking into account of the related expenses paid or payable by the Group of approximately HK\$33,000,000 in relation to the Disposal.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE SHAREHOLDERS' AGREEMENT

The Property was acquired by the Group in April 2006 and had been held by the Group for investment purpose by way of rental income.

In view of the present property market in Hong Kong, the Directors consider that the Disposal provides a good opportunity for the Group to realize the Property and enhance the liquidity of the Group. The joint venture with the Purchaser also provides the Group with a valuable opportunity to co-invest with a prestigious investment partner and there may be further opportunities to work with this investment partner in the future. The Directors consider that the Disposal and the joint venture arrangement with the Purchaser are 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.

INFORMATION OF THE COMPANY, THE VENDOR AND THE PURCHASER

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.

Information of the Vendor

The Vendor, a wholly-owned subsidiary of the Company, is an investment holding company incorporated in the British Virgin Islands.

Information of the Purchaser

The Purchaser is an investment holding company incorporated in the Cayman Islands and is a wholly-owned subsidiary of a real estate fund.

LISTING RULES IMPLCATIONS

As the highest of the relevant percentage ratios exceeds 5% but does 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

“Building Construction”	construction works, including but without limited to, site preparation, site formation, design, foundation and substructure, superstructure, and other miscellaneous work of the Project, but excluding furnishings and interior fitting out works
“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 contemplated under the Disposal Agreement
“Completion Date”	the date on which the Completion took place, i.e. 30 March 2011 which is the same date as the Disposal Agreement

“Consideration”	the consideration for the Disposal
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	the Disposal Agreement dated 30 March 2011 entered into between the Vendor, the Purchaser and the Company for the sale and purchase of the Sale Shares
“Group”	the Company and its subsidiaries
“Hotel License”	the hotel license to be issued by the relevant licensing authority under the provisions of the Hotel and Guesthouse Accommodation Ordinance (Cap. 349) for the Project
“Hotel License Issuance Date”	the date on which the Hotel License is first issued
“Hotel License Milestone Date”	29 February 2012
“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 as defined in the Listing Rules
“Interior Fit-Out”	any interior fit-out and furnishing works, including but without limited to the supply and installation of fixtures, operating equipment of the Project, but excluding Building Construction works
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mercato”	Mercato Group Limited, a company incorporated in the British Virgin Islands and subsidiary of the Vendor prior to Completion
“Panteria”	Panteria International Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Mercato

“Project”	a development project to be erected on the Property with gross floor area of approximately 29,760 square feet
“Property”	all those pieces or parcels of ground respectively registered at the Land Registry as THE REMAINING PORTION OF INLAND LOT NO. 3309 and THE REMAINING PORTION OF INLAND LOT NO. 3310 situate at No. 21 Whitfield Road, Hong Kong with a total site area of 1,984 square feet
“Purchaser”	GCPF Cayman Holding 9 Corp., a company incorporated in the Cayman Islands, is an Independent Third Party
“Sale Shares”	605 Shares sold by the Vendor to the Purchaser pursuant to the Disposal Agreement, representing 60.5% of the equity of Mercato
“Shareholders”	the shareholders of the Company
“Shareholders’ Agreement”	the shareholders’ agreement between the Vendor, the Purchaser and Mercato to regulate the relationships between the parties and provide for the management and the conduct of the business of Mercato
“Shares”	shares of US\$1.00 each in Mercato
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Spring Orchard Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 31 March 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.