NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

MAJOR TRANSACTION

References are made to the announcement of the Company dated 31 March 2011 in relation to Disposal 1, and the announcement of the Company dated 21 April 2011 in relation to the proposed disposals by NPHL, a wholly-owned subsidiary of the Company, which entered into a legally binding MOA in relation to Disposal 2 and Disposal 3.

On 3 June 2011, Seller 2, a wholly-owned subsidiary of the Company and NPHL, entered into the Disposal Agreement 2 with Purchaser 2, pursuant to which Seller 2 agreed to sell and Purchaser 2 agreed to purchase the JVCo2 Sale Shares. Also, on 3 June 2011, Seller 3, a wholly-owned subsidiary of the Company and NPHL, entered into the Disposal Agreement 3 with Purchaser 3, pursuant to which Seller 3 agreed to sell and Purchaser 3 agreed to purchase the JVCo3 Sale Shares.

Further, on 30 March 2011, Seller 1, Purchaser 1 and JVCo 1 entered into Shareholders' Agreement 1, and on the Completion Date, Seller 2, Purchaser 2 and JVCo 2 will enter into the Shareholders' Agreement 2 and Seller 3, Purchaser 3 and JVCo 3 will enter into the Shareholders' Agreement 3, each to regulate the relationships between the parties and provide for the management and the conduct of the business of JVCo 1, JVCo 2 and JVCo 3, respectively.

As disclosed in the announcement of the Company dated 31 March 2011, the Group has entered into Disposal Agreement 1. According to Rule 14.22 of the Listing Rules, Disposal Agreement 1, Disposal Agreement 2 and Disposal Agreement 3 shall be aggregated in the calculation of the percentage ratios (as defined in the Listing Rules). As the relevant percentage ratios on an aggregate basis exceeds 25% but less than 100%, the Disposals constitute a major transaction of the Company and are therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapters 14 of the Listing Rules.

The Company has obtained a written approval from Brentford Investments Limited which held 244,602,979 Shares as at the date of this announcement (representing approximately 25.28% of the issued share capital of the Company), and from Fenmore Investments Limited which held 245,606,873 Shares as at the date of this announcement (representing approximately 25.39% of the issued share capital of the Company), in lieu of holding a general meeting, for the approval of the Disposal Agreement 1, Disposal Agreement 2 and Disposal Agreement 3 and the transactions thereunder.

A circular containing, among other things, further details on Disposal 1, Disposal 2 and Disposal 3 and the valuation reports on Property 1, Property 2 and Property 3, will be despatched to the Shareholders as soon as practicable on or before 27 June 2011 in accordance with the requirements of the Listing Rules.

(I) INTRODUCTION

References are made to the announcement of the Company dated 31 March 2011 in relation to Disposal 1, and the announcement of the Company dated 21 April 2011 in relation to the proposed disposals by NPHL, a wholly-owned subsidiary of the Company, which entered into a legally binding MOA in relation to Disposal 2 and Disposal 3.

The Board is pleased to announce that on 3 June 2011, Seller 2, a wholly-owned subsidiary of the Company and NPHL, entered into the Disposal Agreement 2 with Purchaser 2, pursuant to which Seller 2 agreed to sell and Purchaser 2 agreed to purchase the JVCo2 Sale Shares. The Board is also pleased to announce that on 3 June 2011, Seller 3, a wholly-owned subsidiary of the Company and NPHL, entered into the Disposal Agreement 3 with Purchaser 3, pursuant to which Seller 3 agreed to sell and Purchaser 3 agreed to purchase the JVCo3 Sale Shares.

(II) DISPOSAL AGREEMENT 2

Date 3 June 2011

Parties

Seller 2:	Verde Group Limited, a wholly-owned subsidiary of the Company
Purchaser 2:	GCPF Cayman Holding 10 Corp., an investment holding company and a wholly-owned subsidiary of a real estate fund which is the same fund that owns Purchaser 1 and Purchaser 3
Guarantor:	the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Purchaser 2 and their ultimate beneficial owners are Independent Third Parties.

Assets to be disposed

Pursuant to the Disposal Agreement 2, Seller 2 agreed to sell and Purchaser 2 agreed to purchase the JVCo2 Sale Shares for a total consideration of HK$110,960,000. The JVCo2 Sale Shares represents 73% of the total issued share capital of JVCo 2, and JVCo 2 owns the entire issued share capital of Batilone which in turn owns Property 2.

Consideration and Payment Terms

The total consideration for the JVCo2 Sale Shares is HK$110,960,000 which will be satisfied in the following manner:

(a) an initial payment of HK$11,096,000, which represents 10% of Consideration 2, has been paid to National Electronics (Consolidated) Limited in accordance with Seller 2's direction by Purchaser 2 on 26 April 2011;

(b) a further payment of HK$55,480,000, which represents 50% of Consideration 2 ("**50% Disposal 2 Consideration Sum**"), will be paid to Seller 2 by Purchaser 2 at Completion;

(c) a further payment of HK$11,096,000, which represents 10% of Consideration 2, will be paid to Seller 2 by Purchaser 2 on the first Business Day immediately falling one month after the Completion Date ("**Disposal 2 Third Payment**");

(d) a further payment of HK$19,418,000, which represents 17.5% of Consideration 2, will be paid to Seller 2 by Purchaser 2 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 2 works in relation to Project 2 ("**Disposal 2 Fourth Payment**"); and

(e) the balance of Consideration 2, being HK$13,870,000, will be paid to Seller 2 by Purchaser 2 on the date falling within seven (7) days after the Hotel License 2 Issuance Date ("**Disposal 2 Fifth Payment**").

Consideration 2 has been determined after arm's length negotiations between the parties with reference to, among other things, the value of Property 2 as ascertained by Purchaser 2. The Directors consider that Consideration 2 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 JVCo2 Sale Shares will take place on the second (2nd) Business Days after the date of the Disposal Agreement 2 or, if earlier, upon receipt of the 50% Disposal 2 Consideration Sum by or on behalf of Seller 2 (or on such other date as Seller 2 and Purchaser 2 may agree in writing). Upon Completion in relation to Disposal Agreement 2 having duly taken place, JVCo 2 will be owned as to 27% by Seller 2 and 73% by Purchaser 2 and will cease to be a subsidiary of Seller 2.

Other terms

(a) Seller 2 shall procure Batilone to complete the Building Construction 2 works and the Interior Fit-Out 2 works in accordance with the specifications provided for under Disposal Agreement 2, such that Project 2 shall be fit for occupation and use as a hotel so as to achieve completion of Project 2 in accordance with the Disposal Agreement 2.

(b) In the event that the Hotel License 2 Issuance Date is delayed beyond the Hotel License 2 Milestone Date (or such extension as provided under the Disposal Agreement 2), Seller 2 covenants with Purchaser 2 (for and on behalf of itself and as trustee for Batilone) that it will pay to Purchaser 2, by way of liquidated damages (subject to set off by way of a deduction from the Disposal 2 Fourth Payment but shall not be construed as an adjustment to Consideration 2), HK$34,650 per day from but excluding the Hotel License 2 Milestone Date (or such extension as provided under the Disposal Agreement 2), up to and including the Hotel License 2 Issuance Date.

(c) In the event that Hotel License 2 has not been issued by the date which is six (6) months from the Hotel License 2 Milestone Date (or such extension as provided under the Disposal Agreement 2), Purchaser 2 may exercise its rights under the relevant provisions of Disposal Agreement 2 and Shareholders' Agreement 2.

Guarantee

The Company guarantees to Purchaser 2 the performance and payment obligations of Seller 2 under Disposal Agreement 2. The guarantee is a continuing guarantee which will remain in force until all the obligations of Seller 2 under Disposal Agreement 2 have been fulfilled.

(III) DISPOSAL AGREEMENT 3

Date 3 June 2011

Parties

Seller 3: Seafield Capital Limited, a wholly-owned subsidiary of the Company

Purchaser 3: GCPF Cayman Holding 11 Corp., an investment holding company and a wholly-owned subsidiary of a real estate fund which is the same fund that owns Purchaser 1 and Purchaser 2

Guarantor: the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Purchaser 3 and their ultimate beneficial owners are Independent Third Parties.

Assets to be disposed

Pursuant to the Disposal Agreement 3, Seller 3 agreed to sell and Purchaser 3 agreed to purchase the JVCo3 Sale Shares for a total consideration of HK$140,160,000. The JVCo3 Sale Shares represents 73% of the total issued share capital of JVCo 3, and JVCo 3 owns the entire issued share capital of Asiatic and Lens which in turn owns Property 3.

Consideration and Payment Terms

The total consideration for the JVCo3 Sale Shares is HK$140,160,000 which will be satisfied in the following manner:

(a) an initial payment of HK$14,016,000, which represents 10% of Consideration 3, has been paid to National Electronics (Consolidated) Limited in accordance with Seller 3's direction by Purchaser 3 on 26 April 2011;

(b) a further payment of HK$70,080,000, which represents 50% of Consideration 3 ("**50% Disposal 3 Consideration Sum**"), will be paid to Seller 3 by Purchaser 3 at Completion;

(c) a further payment of HK$14,016,000, which represents 10% of Consideration 3, will be paid to Seller 3 by Purchaser 3 on the first Business Day immediately falling one month after the Completion Date ("**Disposal 3 Third Payment**");

(d) a further payment of HK$24,528,000, which represents 17.5% of Consideration 3, will be paid to Seller 3 by Purchaser 3 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 3 works in relation to Project 3 ("**Disposal 3 Fourth Payment**"); and

(e) the balance of Consideration 3, being HK$17,520,000, will be paid to Seller 3 by Purchaser 3 on the date falling within seven (7) days after the Hotel License 3 Issuance Date ("**Disposal 3 Fifth Payment**").

Consideration 3 has been determined after arm's length negotiations between the parties with reference to, among other things, the value of Property 3 as ascertained by Purchaser 3. The Directors consider that Consideration 3 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 JVCo3 Sale Shares will take place on the second (2nd) Business Days after the date of the Disposal Agreement 3 or, if earlier, upon receipt of the 50% Disposal 3 Consideration Sum by or on behalf of Seller 3 (or on such other date as Seller 3 and Purchaser 3 may agree in writing). Upon Completion in relation to Disposal Agreement 3 having duly taken place, JVCo 3 will be owned as to 27% by Seller 3 and 73% by Purchaser 3 and will cease to be a subsidiary of Seller 3.

Other terms

(a) Seller 3 shall procure Asiatic and Lens to complete the Building Construction 3 works and the Interior Fit-Out 3 works in accordance with the specifications provided for under Disposal Agreement 3, such that Project 3 shall be fit for occupation and use as a hotel so as to achieve completion of Project 3 in accordance with the Disposal Agreement 3.

(b) In the event that the Hotel License 3 Issuance Date is delayed beyond the Hotel License 3 Milestone Date (or such extension as provided under the Disposal Agreement 3), Seller 3 covenants with Purchaser 3 (for and on behalf of itself and as trustee for Asiatic and Lens) that it will pay to Purchaser 3, by way of liquidated damages (subject to set off by way of a deduction from the Disposal 3 Fourth Payment but shall not be construed as an adjustment to Consideration 3), HK$43,300 per day from but excluding the Hotel License 3 Milestone Date (or such extension as provided under the Disposal Agreement 3), up to and including the Hotel License 3 Issuance Date.

(c) In the event that Hotel License 3 has not been issued by the date which is six (6) months from the Hotel License 3 Milestone Date (or such extension as provided under the Disposal Agreement 3), Purchaser 3 may exercise its rights under the relevant provisions of Disposal Agreement 3 and Shareholders' Agreement 3.

Guarantee

The Company guarantees to Purchaser 3 the performance and payment obligations of Seller 3 under Disposal Agreement 3. The guarantee is a continuing guarantee which will remain in force until all the obligations of Seller 3 under Disposal Agreement 3 have been fulfilled.

(IV) DOCUMENTS ENTERED INTO PURSUANT TO THE DISPOSALS

Pursuant to the Disposals, certain documents have been entered into by the respective parties and this include the following:

- **SHARE MORTGAGES**

In consideration of Seller 2 agreeing to transfer JVCo2 Sale Shares to Purchaser 2, three share mortgages in respect of 73 JVCo2 Shares, 128 JVCo2 Shares and 91 JVCo2 Shares out of all the JVCo2 Sale Shares will be executed by Purchaser 2 (as mortgagor) in favour of Seller 2 (as mortgagee) on the Completion Date as a continuing security to secure Purchaser 2's payment obligations in respect of Disposal 2 Third Payment, Disposal 2 Fourth Payment and Disposal 2 Fifth Payment.

Also, in consideration of Seller 3 agreeing to transfer JVCo3 Sale Shares to Purchaser 3, three share mortgages in respect of 73 JVCo3 Shares, 128 JVCo3 Shares and 91 JVCo3 Shares out of all the JVCo3 Sale Shares will be executed by Purchaser 3 (as mortgagor) in favour of Seller 3 (as mortgagee) on the Completion Date as a continuing security to secure Purchaser 3's payment obligations in respect of Disposal 3 Third Payment, Disposal 3 Fourth Payment and Disposal 3 Fifth Payment.

- **DEED OF INDEMNITY**

The Company and Seller 2 (as the covenantors), Purchaser 2, JVCo 2 and Batilone, will enter into a deed of tax indemnity on the Completion Date, pursuant to which the Company and Seller 2 will jointly and severally covenant and agree with Purchaser 2, JVCo 2 and Batilone, that they will fully and effectually indemnify the Purchaser 2, JVCo 2 and Batilone from and against all taxation falling on JVCo 2 or Batilone resulting from, amongst others, any income, profits, gains or things earned or accrued or occurring up to the Completion Date.

Also, the Company and Seller 3 (as the covenantors), Purchaser 3, JVCo 3, Asiatic and Lens, will enter into a deed of tax indemnity on the Completion Date, pursuant to which the Company and Seller 3 will jointly and severally covenant and agree with Purchaser 3, JVCo 3 and Asiatic and Lens, that they will fully and effectually indemnify Purchaser 3, JVCo 3, Asiatic and Lens from and against all taxation falling on JVCo 3, Asiatic or Lens resulting from, amongst others, any income, profits or gains or things earned or accrued or occurring up to the Completion Date.

- **SHAREHOLDERS' AGREEMENT 1, SHAREHOLDERS' AGREEMENT 2 AND SHAREHOLDERS' AGREEMENT 3**

  On 30 March 2011, Seller 1, Purchaser 1 and JVCo 1 entered into Shareholders' Agreement 1, and on the Completion Date, Seller 2, Purchaser 2 and JVCo 2 will enter into the Shareholders' Agreement 2 and Seller 3, Purchaser 3 and JVCo 3 will enter into the Shareholders' Agreement 3, each to regulate the relationships between the parties and provide for the management and the conduct of the business of JVCo 1, JVCo 2 and JVCo 3, respectively. The terms of the shareholders' agreements for each of JVCo 1, JVCo 2 and JVCo 3 are very similar. The major terms of Shareholders' Agreement 1, Shareholders' Agreement 2 and Shareholders' Agreement 3 are as follows:

Business scope of JVCo 1, JVCo 2 and JVCo 3

Unless otherwise unanimously agreed between the parties to the respective Shareholders' Agreement 1, Shareholders' Agreement 2 and Shareholders' Agreement 3, the sole business of each of JVCo 1, JVCo 2 and JVCo 3 is to continue to indirectly hold, by way of long term investment, Property 1 (in the case of JVCo 1), Property 2 (in the case of JVCo 2) and Property 3 (in the case of JVCo 3) which shall be developed into a hotel (with hotel apartment services) and thereafter, to manage such hotel.

Constitution of the board of directors of JVCo 1, JVCo 2 and JVCo 3

The board of directors of each of JVCo 1, JVCo 2 and JVCo 3 will comprise five (5) directors, including two (2) directors to be nominated by the respective seller and three (3) directors to be nominated by the respective purchaser of JVCo 1, JVCo 2 and JVCo 3, respectively. The directors of each of JVCo 1, JVCo 2 and JVCo 3 shall elect one of their number to be chairman of its board. In the case of an equality of votes at any meeting of the board of directors of each of JVCo 1, JVCo 2 and JVCo 3, the chairman shall not be entitled to a second or casting vote.

Restrictions on the transfer of shares in JVCo 1, JVCo 2 and JVCo 3

Neither the respective seller of JVCo 1, JVCo 2 or JVCo 3 (as the case may be) nor the respective purchaser of JVCo 1, JVCo 2 or JVCo 3 (as the case may be) may transfer its shares in JVCo 1, JVCo 2 or JVCo 3, respectively, except as otherwise provided and subject to the provisions as stipulated under Shareholders' Agreement 1 or Shareholders' Agreement 2 or Shareholders' Agreement 3 (as the case may be). Such restrictions include, among others, the following:

(a) When either shareholder ("**Selling Shareholder**") wishes to sell all (but not some only) of its shares in JVCo 1 or JVCo 2 or JVCo 3 (as the case may be) ("**Proposed Sale Shares**"), the Selling Shareholder shall first offer the Proposed Sale Shares to the other shareholder ("**Other Shareholder**") in accordance with the provisions of its shareholders' agreement, such as to deliver a transfer notice from the Selling Shareholder to the Other Shareholder stating the major terms of the proposed sale. Also, as agreed between the parties and in accordance to the provisions of the respective shareholders' agreement in relation to JVCo 1 or JVCo 2 or JVCo 3 (as the case may be), the Selling Shareholder shall have the right to require the Other Shareholder to sell all (but not some only) of the Other Shareholder's shares in JVCo 1 or JVCo 2 or JVCo 3 (as the case may be) to the intended third party buyer of the Proposed Sale Shares ("**Buyer**") at the same price and terms as that of the sale of the Proposed Sale Shares set out in the transfer notice (the "**Drag-Along Right**").

(b) Subject to the procedural requirements under Shareholders' Agreement 1 or Shareholders' Agreement 2 or Shareholders' Agreement 3 (as the case may be), in lieu of electing to purchase the Proposed Sale Shares of the Selling Shareholder as mentioned in (a) above and if the Selling Shareholder has not exercised the Drag-Along Right, the Other Shareholder shall have the right to elect, instead, to participate in the sale to the Buyer at the same price and terms as that of the sale of the Proposed Sale Shares which shall, in any event, be substantially as set out in such transfer notice (the "**Tag-Along Right**").

Term

Unless terminated earlier in accordance with the provisions of Shareholders' Agreement 1 or Shareholders' Agreement 2 or Shareholders' Agreement 3 (as the case may be), or otherwise agreed between Seller 1 and Purchaser 1 (in the case of JVCo 1), Seller 2 and Purchaser 2 (in the case of JVCo 2) or Seller 3 and Purchaser 3 (in the case of JVCo 3), or unless one of the shareholder ceases to hold any interest in JVCo 1, JVCo 2 or JVCo 3 (as the case may be), Seller 1 and Purchaser 1 (in the case of JVCo 1), or Seller 2 and Purchaser 2 (in the case of JVCo 2), or Seller 3 and Purchaser 3 (in the case of JVCo 3) agreed to exercise all rights and powers available to it to ensure that JVCo 1, JVCo 2 or JVCo 3 (as the case may be) has sold of its assets and that all net proceeds from such sale have been distributed to Seller 1 and Purchaser 1 (in the case of JVCo 1), Seller 2 and Purchaser 2 (in the case of JVCo 2) or Seller 3 and Purchaser 3 (in the case of JVCo 3) on a date as agreed by the respective parties.

Options

In addition to any other rights the Non-Defaulting Shareholder (as defined below) has under Shareholders' Agreement 1 or Shareholders' Agreement 2 or Shareholders' Agreement 3 (as the case may be), if an Event of Default (as defined below) has occurred with respect to the Shareholder in Breach (as defined below), the Shareholder in Breach shall be deemed to have made an irrevocable offer to the Non-defaulting Shareholder as follows:

(a) to sell all of its JVCo1 Shares (in the case of JVCo 1) or JVCo2 Shares (in the case of JVCo 2) or JVCo3 Shares (in the case of JVCo 3) to the Non-defaulting Shareholder or its designee at an agreed discount to the fair market value (as defined in Shareholders' Agreement 1 or Shareholders' Agreement 2 or Shareholders' Agreement 3 (as the case may be) of such shares in JVCo 1 or JVCo 2 or JVCo 3 (as the case may be); or

(b) to buy all of the JVCo1 Shares (in the case of JVCo 1) or JVCo2 Shares (in the case of JVCo 2) or JVCo3 Shares (in the case of JVCo 3) of the Non-defaulting Shareholder at an agreed premium to the fair market value (as defined in Shareholders' Agreement 1 or Shareholders' Agreement 2 or Shareholders' Agreement 3 (as the case may be) of such shares in JVCo 1 or JVCo 2 or JVCo 3 (as the case may be) (save that this option shall not be available to Purchaser 1 (in the case of JVCo 1) or Purchaser 2 (in the case of JVCo 2) or Purchaser 3 (in the case of JVCo 3) in circumstances where there is an Event of Default pursuant to paragraph (f) under the definition of Event of Default below).

Such an offer is crystallized by the Non-defaulting Shareholder serving a notice to the Shareholder in Breach stating that there has been an Event of Default ("**Default Transfer Notice**"). The Non-defaulting Shareholder shall have the right to decide if it wishes to exercise any of the options set out in the Default Transfer Notice by giving notice in writing to the Shareholder in Breach within thirty (30) days following service of the Default Transfer Notice.

Amongst other things, the following are events of default ("**Event of Default**") provided under the Shareholders' Agreement 1 or Shareholders' Agreement 2 or Shareholders' Agreement 3 (as the case may be):

(a) if any of the shareholder of JVCo 1 or JVCo 2 or JVCo 3 (as the case may be) is in material breach of the terms of Shareholders' Agreement 1 or Shareholders' Agreement 2 or Shareholders' Agreement 3 (as the case may be);

(b) if any of the shareholder of JVCo 1 or JVCo 2 or JVCo 3 (as the case may be), or any part of its assets or undertaking, is involved in or subject to any insolvency proceedings, has stopped or suspended payment of its debts, become unable to pay its debts or otherwise become insolvent;

(c) if there is a change in control of any shareholder of JVCo 1 or JVCo 2 or JVCo 3 (as the case may be) which change has not been otherwise approved in writing by the other shareholder of JVCo 1 or JVCo 2 or JVCo 3 (as the case may be);

(d) if any of the shareholder of JVCo 1 or JVCo 2 or JVCo 3 (as the case may be) is in breach of its warranty or undertaking pursuant to Shareholders' Agreement 1 or Shareholders' Agreement 2 or Shareholders' Agreement 3 (as the case may be);

(e) if Purchaser 1 (in the case of JVCo 1) or Purchaser 2 (in the case of JVCo 2) or Purchaser 3 (in the case of JVCo 3) is in breach of its obligations to make payments due under Disposal Agreement 1 or Disposal Agreement 2 or Disposal Agreement 2 (as the case may be); or

(f) if the Hotel License 1 (in the case of JVCo 1) or Hotel License 2 in the case of JVCo 2) or Hotel License 3 (in the case of JVCo 3) has not been issued within six (6) months from Hotel License 1 Milestone Date (in the case of JVCo 1) or Hotel License 2 Milestone Date (in the case of JVCo 2) or Hotel License 3 Milestone Date (in the case of JVCo 3) (or such extension as provided under Disposal Agreement 1 or Disposal Agreement 2 or Disposal Agreement 3 (as the case may be)), and in such circumstances, Seller 1 (in the case of JVCo 1) or Seller 2 (in the case of JVCo 2) or Seller 3 (in the case of JVCo 3) shall be deemed to have committed an Event of Default under Shareholders' Agreement 1 (in the case of JVCo 1) or Shareholders' Agreement 2 (in the case of JVCo 2) or Shareholders' Agreement 3 (in the case of JVCo 3).

A "**material breach**" means a breach that, if such breach is capable of remedy, has not been remedied within thirty (30) calendar days of service of a written notice from the shareholder of JVCo 1 or JVCo 2 or JVCo 3 (as the case may be) who is not in breach requiring that such breach be remedied. For the purpose of this section on options, the shareholder of JVCo 1 or JVCo 2 or JVCo 3 (as the case may be) who is in breach being the "**Shareholder in Breach**" and the other shareholder of JVCo 1 or JVCo 2 or JVCo 3 (as the case may be) being the "**Non-defaulting Shareholder**".

(V) INFORMATION OF JVCO 2 AND JVCO 3

JVCo 2 is an investment holding vehicle incorporated on 21 January 2011 and wholly-owned Property 2 through Batilone prior to Completion. Property 2 has a total gross floor area of approximately 31,600 square feet located at No. 89 Jervois Street, Hong Kong. Property 2 is under development into a hotel. JVCo 3 is an investment holding vehicle incorporated on 25 January 2011 and wholly-owned Property 3 through Asiatic and Lens prior to Completion. Property 3 has a total gross floor area of approximately 41,000 square feet located at No. 101 Bonham Strand, No. 103 Bonham Strand, No. 127 Wing Lok Street and No. 99 Bonham Strand, Hong Kong. Property 3 is under development into a hotel.

After Completion, JVCo 2 is owned as to 27% by Seller 2 and 73% by Purchaser 2, and JVCo 3 is owned as to 27% by Seller 3 and 73% by Purchaser 3. JVCo 2 ceased to be a subsidiary of Seller 2 and JVCo 3 ceased to be a subsidiary of Seller 3 after Completion.

The audited net profit before and after taxation and extraordinary items attributable to Batilone was approximately HK$9,000,000 and HK$7,000,000 respectively for the year ended 31 March 2010, and was approximately HK$25,800,000 and HK$20,300,000 respectively for the year ended 31 March 2009.

The audited net profit before and after taxation and extraordinary items attributable to Asiatic was approximately HK$1,650,000 and HK$1,380,000 respectively for the year ended 31 March 2010, and was approximately HK$750,000 and HK$260,000 respectively for the year ended 31 March 2009.

The audited net profit before and after taxation and extraordinary items attributable to Lens was approximately HK$5,170,000 and HK$4,320,000 respectively for the year ended 31 March 2010, and was approximately HK$3,950,000 and HK$3,340,000 respectively for the year ended 31 March 2009.

As at 31 December 2010, the unaudited net asset value of Batilone, Asiatic and Lens was approximately HK$67,113,000, HK$43,191,000 and HK$25,418,000, respectively. Based on such net asset value, a gain of approximately HK$82,000,000 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$70,000,000 in relation to Disposal 2 and Disposal 3.

- **THE UMBRELLA AGREEMENT**

On the Completion Date, the parties to the Shareholders' Agreement 1, Shareholders' Agreement 2 and Shareholders' Agreement 3 will enter into an umbrella agreement to supplement the agreements. Under this umbrella agreement, the parties have agreed that the incentive distributions payable to Seller 1, Seller 2 and Seller 3 under the Shareholders' Agreement 1, Shareholders' Agreement 2 and Shareholders' Agreement 3, respectively, are to be calculated on a consolidated portfolio basis as opposed to individual portfolio basis.

(VI) REASONS FOR AND BENEFITS OF THE DISPOSALS AND THE SHAREHOLDER'S AGREEMENTS

Property 1 was acquired by the Group in April 2006 and had been held by the Group for investment purpose by way of rental income. Property 2 and Property 3 were both acquired by the Group in 2007 and had been held by the Group for investment purposes.

The Directors consider that the Disposals provide a good opportunity for the Group to realize Property 1, Property 2 and Property 3 and enhance the liquidity of the Group. The joint ventures with the Purchasers also provide 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 Disposals and the joint venture arrangements with the Purchasers 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 Disposals for general working capital purpose.

(VII) INFORMATION OF THE COMPANY, SELLER 2, SELLER 3, PURCHASER 2, PURCHASER 3 AND THE PURCHASERS

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 Seller 2 and Seller 3

Each of Seller 2 and Seller 3 is an investment holding company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company.

Information of the Purchaser 2 and Purchaser 3

Each of Purchaser 2 and Purchaser 3 is an investment holding company incorporated in the Cayman Islands and is a wholly-owned subsidiary of a real estate fund which is the same fund that owns Purchaser 1.

(VIII) LISTING RULES IMPLICATIONS

According to Rule 14.22 of the Listing Rules, the Stock Exchange will aggregate a series of transactions and treat them as if they were one transaction if they are all completed within a 12-month period or are otherwise related. As disclosed in the announcement of the Company dated 31 March 2011, the Group has entered into Disposal Agreement 1. In this regard, the Disposal Agreement 1, Disposal Agreement 2 and Disposal Agreement 3 shall be aggregated in the calculation of the percentage ratios (as defined in the Listing Rules).

As the relevant percentage ratios on an aggregate basis exceeds 25% but less than 100%, the Disposals constitute a major transaction of the Company and are therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapters 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, the Disposals is conditional upon, among other things, a written shareholder's approval of Disposal Agreement 1, Disposal Agreement 2 and Disposal Agreement 3 and the transactions thereunder having been obtained from Shareholders who holds more than 50% in nominal value of the Shares giving the right to attend and vote at that general meeting to approve the transactions. The Company has a closely allied group of Shareholders which together hold approximately 50.67% of the total issued share capital of the Company as at the date of this announcement. The Company has obtained a written approval from Brentford Investments Limited which held 244,602,979 Shares as at the date of this announcement (representing approximately 25.28% of the issued share capital of the Company), and from Fenmore Investments Limited which held 245,606,873 Shares as at the date of this announcement (representing approximately 25.39% of the issued share capital of the Company), in lieu of holding a general meeting, for the approval of the Disposal Agreement 1, Disposal Agreement 2 and Disposal Agreement 3 and the transactions thereunder.

A circular containing, among other things, further details on Disposal 1, Disposal 2 and Disposal 3 and the valuation reports on Property 1, Property 2 and Property 3, will be despatched to the Shareholders as soon as practicable on or before 27 June 2011 in accordance with the requirements of the Listing Rules.

DEFINITIONS

"associates"	has the meaning ascribed in the Listing Rules
"Asiatic"	Asiatic Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of JVCo 3
"Batilone"	Batilone Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of JVCo 2
"Board"	the board of directors of the Company
"Building Construction 2"	construction works, including but without limited to, site preparation, site formation, design, foundation and substructure, superstructure, and other miscellaneous work of Project 2, but excluding furnishings and interior fitting out works
"Building Construction 3"	construction works, including but without limited to, site preparation, site formation, design, foundation and substructure, superstructure, and other miscellaneous work of Project 3, but excluding furnishings and interior fitting out works
"Business Day"	a day other than a Saturday or Sunday, on which banks are open in Hong Kong and New York to the general public for business
"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 Disposal 2 and Disposal 3
"Completion Date"	the date on which the Completion takes place
"connected person(s)"	has the meaning ascribed in the Listing Rules
"Consideration 1"	the consideration of HK$72,600,000 as described in the announcement of the Company dated 31 March 2011 in respect of Disposal 1
"Consideration 2"	the consideration of HK$110,960,000 for Disposal 2
"Consideration 3"	the consideration of HK$140,160,000 for Disposal 3
"Directors"	the directors of the Company

"Disposal 1"	the sale of JVCo1 Sale Shares by Seller 1 to Purchaser 1 as described in the announcement of the Company dated 31 March 2011
"Disposal 2"	the sale of JVCo2 Sale Shares by Seller 2 to Purchaser 2 pursuant to Disposal Agreement 2
"Disposal 3"	the sale of JVCo3 Sale Shares by Seller 3 to Purchaser 3 pursuant to Disposal Agreement 3
"Disposals"	Disposal 1, Disposal 2 and Disposal 3
"Disposal Agreement 1"	the disposal agreement dated 30 March 2011 entered into between Seller 1, Purchaser 1 and the Company for the sale and purchase of JVCo1 Sale Shares as described in the announcement of the Company dated 31 March 2011
"Disposal Agreement 2"	the sale and purchase agreement dated 3 June 2011 entered into between Seller 2, Purchaser 2 and the Company for the sale and purchase of JVCo2 Sale Shares
"Disposal Agreement 3"	the sale and purchase agreement dated 3 June 2011 entered into between Seller 3, Purchaser 3 and the Company for the sale and purchase of JVCo3 Sale Shares
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Hotel License 2"	the hotel license to be issued for Project 2 by the relevant licensing authority under the provisions of the Hotel and Guesthouse Accommodation Ordinance (Cap. 349) for Project 2
"Hotel License 3"	the hotel license to be issued for Project 3 by the relevant licensing authority under the provisions of the Hotel and Guesthouse Accommodation Ordinance (Cap. 349) for Project 3
"Hotel License 2 Issuance Date"	the date on which the Hotel License 2 is first issued

"Hotel License 3 Issuance Date"	the date on which the Hotel License 3 is first issued
"Hotel License 2 Milestone Date"	31 October 2011
"Hotel License 3 Milestone Date"	31 May 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
"Interior Fit-Out 2"	any interior fit-out and furnishing works, including but not limited to the supply and installation of interior decoration, furniture, furnishings, fixtures, operating equipment, signage and artworks of Project 2, but excluding Building Construction 2 works
"Interior Fit-Out 3"	any interior fit-out and furnishing works, including but not limited to the supply and installation of interior decoration, furniture, furnishings, fixtures, operating equipment, signage and artworks of the Project 3, but excluding Building Construction 3 works
"Lens"	Lens Limited, a company incorporated in Hong Kong and is a wholly owned subsidiary of JVCo 3
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"JVCo 1"	Mercato Group Limited, a company incorporated in the British Virgin Islands and owns the entire issued share capital in Panteria
"JVCo 2"	Smart Plus Group Limited, a company incorporated in the British Virgin Islands which is a wholly-owned subsidiary of Seller 2 and owns the entire issued share capital in Batilone
"JVCo 3"	Ally Vantage Limited, a company incorporated in the British Virgin Islands which is a wholly-owned subsidiary of the Seller 3 and owns the entire issued share capital in Asiatic and Lens

"JVCo1 Sale Shares"	605 shares in JVCo 1, representing 60.5% of the total issued share capital of JVCo 1
"JVCo2 Sale Shares"	730 shares in JVCo 2, representing 73% of the total issued share capital of JVCo 2
"JVCo3 Sale Shares"	730 shares in JVCo 3, representing 73% of the total issued share capital of JVCo 3
"JVCo1 Shares"	shares of US$1.00 each in JVCo 1
"JVCo2 Shares"	shares of US$1.00 each in JVCo 2
"JVCo3 Shares"	shares of US$1.00 each in JVCo 3
"MOA"	a memorandum of agreement dated 21 April 2011 entered into between NPHL and the Purchaser 2 and Purchaser 3
"NPHL"	National Properties Holdings Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, which indirectly owns the entire issued share capital of Seller 1 and Seller 2 and directly owns the entire issued share capital of Seller 3
"Panteria"	Panteria International Limited, a company incorporated in the British Virgin Islands and a wholly-owned
"Project 2"	a development project to be erected on Property 2 with gross floor area of approximately 31,600 square feet to be erected in accordance with the plans and specifications as stipulated in the Disposal Agreement 2
"Project 3"	a development project to be erected on Property 3 with gross floor area of approximately 41,000 square feet to be erected in accordance with the plans and specifications as stipulated in the Disposal Agreement 3
"Property 1"	the property as described in the announcement of the Company dated 31 March 2011

"Property 2"	all those pieces or parcels of ground respectively registered in the Land Registry as The Remaining Portion of Section A of Inland Lot No. 864 and The Remaining Portion of Section B of Inland Lot No. 865 together with the messuages, erections and buildings thereon now known as No. 89 Jervois Street, Hong Kong (formerly known as Nos. 87 and 89 Jervois Street, Hong Kong)
"Property 3"	(1) all that piece or parcel of ground registered in the Land Registry as The Remaining Portion of Marine Lot No. 152 together with the messuages, erections and buildings thereon (if any) now known as No. 101 Bonham Strand, Hong Kong, (2) all that piece or parcel of ground registered in the Land Registry as The Remaining Portion of Marine Lot No. 153 together with the messuages erections and buildings thereon (if any) now known as No. 103 Bonham Strand, Hong Kong, (3) all that piece or parcel of ground registered in the Land Registry as The Remaining Portion of Section A of Marine Lot No. 153 together with the messuages erections and buildings thereon (if any) now known as No.127 Wing Lok Street, Hong Kong, and (4) all that piece or parcel of ground registered in the Land Registry as The Remaining Portion of Marine Lot No. 151 and together with the messuages, erections and buildings thereon now known as No. 99 Bonham Strand
"Purchaser 1"	GCPF Cayman Holding 9 Corp., a company incorporated in the Cayman Islands, the purchaser for Disposal 1
"Purchaser 2"	GCPF Cayman Holding 10 Corp., a company incorporated in the Cayman Islands, the purchaser for Disposal 2
"Purchaser 3"	GCPF Cayman Holding 11 Corp., a company incorporated in the Cayman Islands, the purchaser for Disposal 3
"Purchasers"	Purchaser 1, Purchaser 2 and Purchaser 3

"Seller 1"	Spring Orchard Limited, a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of NPHL
"Seller 2"	Verde Group Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of NPHL
"Seller 3"	Seafield Capital Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of NPHL
"Shareholders"	the shareholders of the Company
"Shareholders' Agreement 1"	the shareholders' agreement dated 30 March 2011 entered into between Seller 1, Purchaser 1 and JVCo 1 as described in the announcement of the Company dated 31 March 2011
"Shareholders' Agreement 2"	the shareholders' agreement to be entered into on the Completion Date between Seller 2, Purchaser 2 and JVCo 2 at completion of Disposal 2
"Shareholders' Agreement 3"	the shareholders' agreement to be entered into on the Completion Date between Seller 3, Purchaser 3 and JVCo 3 at completion of Disposal 3
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent

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

Hong Kong, 3 June 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.