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NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

MAJOR TRANSACTION

Reference is made to the announcement of the Company dated 5 November 2009 in relation to the Shareholders' Agreement.

On 9 August 2012, the Purchaser entered into a sale and purchase agreement with the Seller pursuant to which the Seller agreed to sell and the Purchaser agreed to purchase the Sale Shares and the benefit of the Seller's Shareholder Loan.

As the relevant percentage ratio exceeds 25% but is less than 100%, the Transaction constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 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 25.01% of the issued share capital of the Company), and from Fenmore Investments Limited, which held 258,137,835 Shares as at the date of this announcement (representing approximately 26.40% of the issued share capital of the Company) for the approval of the Sale and Purchase Agreement and the transactions thereunder. As such, no extraordinary general meeting will be convened by the Company to approve the Transaction.

A circular containing, among other things, further details of the Transaction and the valuation report on the Property will be despatched to the Shareholders as soon as practicable on or before 30 August 2012 in accordance with the requirements of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 5 November 2009 in relation to the Shareholders' Agreement.

The Board is pleased to announce that on 9 August 2012, the Purchaser, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the Seller pursuant to which the Seller agreed to sell and the Purchaser agreed to purchase the Sale Shares and the benefit of the Seller's Shareholder Loan.

SALE AND PURCHASE AGREEMENT

Date: 9 August 2012

Parties:

Seller GCPF Cayman Holding 6 Corp., an investment holding company and a wholly-owned subsidiary of a real estate fund

Purchaser Tania Investments Limited, a wholly-owned subsidiary of the Company

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

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Seller agreed to sell and the Purchaser agreed to purchase the Sale Shares and the benefit of the Seller's Shareholder Loan for a total consideration of HK\$250,000,000. The Sale Shares represent 50% of the total issued share capital of the JV Co. The JV Co owns the entire issued share capital of the Project Company, which in turn owns the Property.

Consideration and payment terms

The total consideration for the Sale Shares and the benefit of the Seller's Shareholder Loan is HK\$250,000,000, which will be satisfied by payment of an equivalent amount in United States dollars to the Seller on the Completion Date.

The Consideration was determined after arm's length negotiation between the Parties with reference to, among other things, the value of the Property. The Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Completion

Upon completion of the Transaction, the JV Co will become a direct wholly-owned subsidiary of the Purchaser.

Completion of the Transaction will take place on the Completion Date.

Conditions precedent

Completion is conditional upon the following conditions being satisfied on or before the Longstop Date:

- (i) the JV Group receiving the consent of the bank of the Project Company to the transactions contemplated under the Sale and Purchase Agreement as required under a facility agreement;
- (ii) the full release and discharge by the bank of the JV Co of all of the obligations of the parent entity of the Seller under a funding agreement and a subordination agreement; and
- (iii) the passing of all necessary resolutions by the shareholders of the Company approving the transactions contemplated under the Sale and Purchase Agreement and the Other Documents and the compliance by the Purchaser and the Company with the Listing Rules, where applicable.

Each of the Parties will use all reasonable endeavours (so far as it lies within its powers) to procure the satisfaction of the conditions precedent of the Sale and Purchase Agreement as soon as reasonably practicable and in any event before the Longstop Date.

If any of the conditions precedent of the Sale and Purchase Agreement (which have not previously been waived) have not been satisfied on or before the Longstop Date then the relevant Party may on that date, at its option (but without prejudice to any other right or remedy it may have), (i) waive the conditions precedent which have not been satisfied; (ii) postpone the Longstop Date to a date (being a Business Day) as may be agreed between the Parties in writing; or (iii) terminate the Sale and Purchase Agreement whereupon, inter alia, the Parties shall not be bound or liable to proceed with the sale and purchase of the Sale Shares or the Seller's Shareholder Loan.

FINANCIAL INFORMATION OF THE JV GROUP

A summary of the unaudited consolidated financial information of the JV Group prepared in accordance with Hong Kong Financial Reporting Standards is as follows:

	For the period between 16 September 2009⁽¹⁾ and 31 December 2010	For the year ended 31 December 2011
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net loss before taxation and extraordinary items	2.27	0.47
Net loss after taxation and extraordinary items	2.27	0.47

Note (1): The Company first acquired interests of the JV Co on 16 September 2009.

According to the unaudited consolidated financial statements of the JV Group, the net liabilities of the JV Group as at 30 June 2012 was approximately HK\$6,370,000. The unaudited net liability of the JV Co as at 30 June 2012 was approximately HK\$20,000.

OTHER DOCUMENTS ENTERED INTO PURSUANT TO THE TRANSACTION

For the purposes of the Transaction, the following documents will also be entered into by the relevant parties with effect from the Completion Date.

(a) ASSIGNMENT OF SHAREHOLDER LOAN

In consideration of the payment of the Consideration by the Purchaser to the Seller, the Seller assigns and transfers to the Purchaser all its rights, title, benefits and interests in the Seller's Shareholder Loan free from all claims, charges, liens, encumbrances, option and equities of any kind whatsoever with effect from the Completion Date pursuant to the Assignment of Shareholder Loan.

(b) DEED OF TERMINATION OF SHAREHOLDERS' AGREEMENT

In connection with the entering into of the Sale and Purchase Agreement, the Purchaser, the Seller and the JV Co agreed to terminate the Shareholders' Agreement with effect from the Completion Date save, *inter alia*, in respect of the confidentiality obligations of the parties under the Shareholders' Agreement pursuant to the Deed of Termination of Shareholders' Agreement.

(c) DEED OF TERMINATION OF SHAREHOLDER LOAN AGREEMENT

In connection with the entering into of the Sale and Purchase Agreement and the Assignment of Shareholder Loan, the Purchaser, the Seller and the JV Co agreed to terminate the Shareholder Loan Agreement with effect from the Completion Date pursuant to the Deed of Termination of Shareholder Loan Agreement.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group acquired interests in the Property as an investment on a 50% jointly-owned basis via the Purchaser. For this purpose, the Purchaser entered into the Shareholders Agreement with the Seller back in September 2009.

The Directors consider that the acquisition of the balance 50% shareholding interest in the JV Co, which will enable the Group to hold the entire issued capital of the JV Co indirectly, provides a valuable investment opportunity for the Group to increase its property ownership at a reasonable price and enjoy rental income derived from the Property on a fully-owned basis at the same time. The Directors believe that the property business portfolio of the Group will be strengthened and enhanced by the acquisition.

The Directors consider that the Transaction is 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 intends to finance the Consideration by internal resources.

INFORMATION OF THE COMPANY, THE SELLER, THE PURCHASER AND THE JV CO

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, property investment and hotel operation.

Information of the Seller

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

Information of the Purchaser

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

Information of the JV Co

The JV Co is a company incorporated in the British Virgin Islands, principally engaging in property development and investment. The JV Co is a joint venture company owned by the Seller and the Purchaser on an equal basis.

IMPLICATIONS UNDER THE LISTING RULES

As the relevant percentage ratio exceeds 25% but is less than 100%, the Transaction constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Transaction. As such, no Shareholder would be required to abstain from voting under the Listing Rules if the Company were to convene a general meeting for the approval of the Transaction.

The Company has a closely allied group of Shareholders which together hold approximately 51.41% of the total issued share capital of the Company as at the date of this announcement. Pursuant to Rule 14.44 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

25.01% of the issued share capital of the Company), and from Fenmore Investments Limited, which held 258,137,835 Shares as at the date of this announcement (representing approximately 26.40% of the issued share capital of the Company) for the approval of the Sale and Purchase Agreement and the transactions thereunder. The said 244,602,979 Shares held by Brentford Investments Limited are part of the property of a discretionary trust of which each of Messrs James Lee Yuen Kui and Edward Lee Yuen Cheor are named beneficiaries. The said 258,137,835 Shares held by Fenmore Investments Limited are part of the property of a discretionary trust of which Mr. Jimmy Lee Yuen Ching and his family members including Mr. Loewe Lee Bon Chi are named beneficiaries. Mr. James Lee Yuen Kui and Mr. Edward Lee Yuen Cheor are brothers and they are cousins of Mr. Jimmy Lee Yuen Ching, who is the father of Mr. Loewe Lee Bon Chi.

As such, no extraordinary general meeting will be convened by the Company to approve the Transaction.

A circular containing, among other things, further details on the Transaction and the valuation report on the Property will be despatched to the Shareholders as soon as practicable on or before 30 August 2012 in accordance with the requirements of the Listing Rules.

DEFINITIONS USED IN THIS ANNOUNCEMENT

“Assignment of Shareholder Loan”	the assignment to be entered into between the Seller and the Purchaser for the purposes of the assignment by the Seller of the Shareholder Loan on the Completion Date
“Board”	the board of directors of the Company
“Business Day”	a day other than a Saturday or Sunday on which banks are open in New York and Singapore to the general public for business during their normal business hours
“Company”	National Electronics Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Completion Date”	27 September 2012 or such other date as the Parties may agree in writing

“Consideration”	the consideration of HK\$250,000,000 for the Transaction
“Deed of Termination of Shareholders’ Agreement”	the deed of termination of the Shareholders’ Agreement to be entered into between the Seller, the Purchaser and the JV Co on the Completion Date
“Deed of Termination of Shareholder Loan Agreement”	the deed of termination of the Shareholder Loan Agreement to be entered into between the Seller, the Purchaser and the JV Co on the Completion Date
“Directors”	the directors of the Company
“Independent Third Party”	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
“JV Co”	Tania Investments Holdings Limited, a company incorporated in the British Virgin Islands and a joint venture company owned as to 50% by the Purchaser and 50% by the Seller
“JV Group”	collectively, the JV Co and the Project Company
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Longstop Date”	24 September 2012
“Other Documents”	the Assignment of Shareholder Loan, the Deed of Termination of Shareholders’ Agreement, the Deed of Termination of Shareholder Loan Agreement and any other documents referred to in this Agreement
“Party”	a party to the Sale and Purchase Agreement
“Project Company”	Tania Development Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the JV Co

“Property”	the residential property located at No. 45 Tai Tam Road, Hong Kong
“Purchaser”	Tania Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 9 August 2012 and entered into between the Seller and the Purchaser for the purposes of the Transaction
“Sale Shares”	the fifty (50) Shares (representing 50% of the issued share capital of the JV Co) to be sold by the Seller to the Purchaser pursuant to the Sale and Purchase Agreement
“Seller”	GCPF Cayman Holding 6 Corp., an investment holding company and a wholly-owned subsidiary of a real estate fund
“Seller’s Shareholder Loan”	all outstanding loans owed by the JV Co to the Seller from time to time (which shall amount to a total of HK\$112,499,610 as at the Completion Date)
“Shareholder Loan Agreement”	the shareholder loan agreement dated 17 November 2009 and entered into between the Seller, the Purchaser and the JV Co pursuant to which the JV Co borrowed, and the Seller and the Purchaser as shareholders of the JV Co made available to the JV Co, shareholder loans
“Shareholders”	the shareholders of the Company
“Shareholders’ Agreement”	the shareholders’ agreement dated 5 November 2009 and entered into between the Seller, the Purchaser and the JV Co, as amended by a first letter agreement dated 11 March 2011, a second letter agreement dated 7 July 2011 and a third letter agreement dated 11 January 2012, all between the Seller, the Purchaser and the JV Co
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the JV Co

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Transaction”

the sale and purchase of the Sale Shares and the Seller’s benefit in the shareholder loans granted by the Seller to the JV Co pursuant to the Sale and Purchase Agreement

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

Hong Kong, 9 August 2012

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.