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**NATIONAL ELECTRONICS HOLDINGS LIMITED**  
*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 213)**

**DISCLOSEABLE TRANSACTION  
SHAREHOLDERS' AGREEMENT IN RELATION TO A JOINT VENTURE  
COMPANY**

The Directors announce that on 5 November 2009, Tania, a wholly owned subsidiary of the Company, GCPF and the JV entered into the Shareholders' Agreement governing the relationship between Tania and GCPF as shareholders in the JV. Pursuant to the Shareholders' Agreement, the JV will acquire, develop, manage and sell the Property. To facilitate the acquisition and development of the Property, Tania and GCPF have each agreed (under the Shareholders' Agreement) to provide aggregate shareholder's loans of up to HK\$100,000,000 to the JV. With regards to the shareholder's loans to be provided, as the relevant percentages under the size tests (as defined in the Listing Rules) exceed 5% but do not exceed 25%, the entering into the Shareholders' Agreement (and consequential commitment to provide the shareholder's loans) constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

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**SHAREHOLDERS' AGREEMENT**

**Parties**

- (a) Tania, a wholly owned subsidiary of the Company;
- (b) GCPF, an Independent Third Party. It is an investment holding company and a wholly owned subsidiary of a real estate fund; and
- (c) the JV.

To the best knowledge, information and belief of the Directors, having made all reasonable inquiry, GCPF, GCPF's ultimate beneficial owner and the JV are not

connected persons of the Company. Further, the JV is not a subsidiary of the Company.

### **The JV**

The JV is an investment holding company owned as to 50% by Tania and 50% by GCPF.

The JV is an investment holding company and it entered into an agreement to acquire the entire equity interest in the holding entity of the Property located at No. 45 Tai Tam Road, Hong Kong. The JV intends to develop, manage and sell the Property.

### **Financing**

On 25 September 2009 and 23 October 2009, each of Tania and GCPF provided shareholders' loans of HK\$12,000,000 and HK\$36,000,000 respectively, to the JV.

Each of Tania and GCPF have agreed under the Shareholders' Agreement to provide an aggregate shareholders' loan of up to HK\$100,000,000 to the JV. The shareholders' loans are unsecured, interest free and have no fixed term of payment. The Company will finance the shareholder's loans by its internal resources.

### **Profit distribution**

Distributions to Tania and GCPF will be based on a waterfall mechanism contained in the Shareholders' Agreement as well as Tania's and GCPF's respective equity interest in the JV.

### **Board composition**

The board of the JV will comprise six directors, of which three will be nominated by Tania and three by GCPF.

### **Right of first refusal**

The Shareholders' Agreement contains a right of first refusal exercisable by the Tania or GCPF if the other shareholder of the JV wishes to dispose of its shares in the JV.

### **Term of Shareholders' Agreement**

Unless terminated earlier in accordance with the provisions of the Shareholders' Agreement or otherwise agreed between the shareholders of the JV, or unless one shareholder of the JV ceases to hold any interest in the JV, the shareholders of the JV shall exercise all rights and powers available to it to ensure that the JV terminates on 31 October 2014.

### **GCPF early exit option**

The Shareholders' Agreement provides that GCPF may exit out of the JV prior to 31 October 2014 under certain circumstances.

### **REASON FOR ENTERING INTO THE SHAREHOLDERS' AGREEMENT**

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 provision of shareholders' loans pursuant to the Shareholders' Agreement will support the acquisition and development of the Property by the JV which is in line with the Group's business strategy and allows the Group to enlarge its properties portfolio with high quality assets.

The Directors consider that the entering into the Shareholders' Agreement is in the interest of the Company and the terms of the Shareholders' Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

### **IMPLICATIONS UNDER THE LISTING RULES**

With regards to the shareholder's loans to be provided pursuant to the Shareholders' Agreement, as the relevant percentages under the size tests (as defined in the Listing Rules) exceed 5% but do not exceed 25%, the entering into the Shareholders' Agreement (and consequential commitment to provide the shareholder's loans) constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

### **DEFINITIONS USED IN THIS ANNOUNCEMENT**

“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
“GCPF”	GCPF Cayman Holding 6 Corp., a company incorporated under the laws of the Cayman Islands, an Independent Third Party
“Group”	the Company and its subsidiaries
“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”	Tania Investments Holdings Limited, a company incorporated in British Virgin Islands and a joint venture company owned as to 50% by Tania and 50% by GCPF
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Property”	the residential property located at No. 45 Tai Tam Road, Hong Kong
“Shareholder(s)”	the shareholders of the Company
“Shareholders’ Agreement”	the agreement dated 5 November 2009 entered into amongst Tania, GCPF and the JV in relation to the investments in the JV
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tania”	Tania Investments Limited, a company incorporated in British Virgin Islands and a wholly owned subsidiary of the Company

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

Hong Kong, 5 November 2009

*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.*