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NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

DISCLOSEABLE TRANSACTION

ACQUISITION OF SALE SHARES AND ASSIGNED SHAREHOLDER'S LOAN

On 4 June 2007, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor to acquire the Sale Shares and the Assigned Shareholder's Loan at a consideration of US\$15,838,166.91.

The Acquisition 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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AGREEMENT DATED 4 JUNE 2007

Parties

Vendor: Newgrounds Corporate Inc., an Independent Third Party

Purchaser: Smart Rise Investments Limited

Sale Shares and Assigned Shareholder's Loan

The Sale Shares represent 20% of the entire issued share capital of Eden Bay.

The Assigned Shareholder's Loan of US\$15,413,835.14 represents 20% of the interest free unsecured Shareholder's Loan due by Eden Bay to the Vendor.

Eden Bay is an investment holding company and the key assets of its sole wholly owned subsidiary are the Properties. The Properties, namely Crocodile House 1, Crocodile House 2 and Ananda Tower, are located at No. 50 to 59 Connaught Road Central, Hong Kong. The Properties are office buildings with a total registered site area of approximately 11,488 sq.ft. and are currently subject to tenancy. However, it is intended to demolish and re-develop the Properties for long term investment purposes and tenancy termination notices have been sent to all existing tenants.

Eden Bay was incorporated on 5 January 2007 for the purpose of acquiring the Properties. The unaudited net profits both before and after taxation and extraordinary items of Eden Bay for the period from 5 January 2007 to 30 April 2007 was approximately HK\$4.6 million.

Consideration and payment terms

The Consideration is US\$15,838,166.91 which is determined after arm's length negotiations between the parties by reference to the book value of the Shareholder's Funds of US\$77,069,185.72, the market value of the Properties of HK\$1,620,000,000 as at 4 June 2007 provided by an independent valuer, DTZ Debenham Tie Leung Limited, and the bank loans secured by the Properties of approximately HK\$995.6 million.

Since the Consideration is determined based on the book value of the Shareholder's Funds, the Purchaser requires the amount of the Shareholder's Funds of US\$77,069,185.72 to be confirmed by the auditors of Eden Bay prior to Completion. If the amount confirmed is either more than US\$84,776,104.29 or less than US\$69,362,267.15, the Purchaser may terminate the Agreement prior to Completion. Given this right under the Agreement, the Purchaser will terminate the Agreement if the amount confirmed is more than US\$84,776,104.29 having considered the internal resources of the Group. Otherwise, the Consideration will be adjusted by adding 20% (being the percentage of equity interest the Purchaser will acquire) of the excess of the amount confirmed over US\$77,069,185.72 or deducting 20% (being the percentage of equity interest the Purchaser will acquire) of the shortfall of the amount confirmed under US\$77,069,185.72.

Subject to obtaining the relevant banking facilities, the Group currently intends to finance the Consideration by a combination of internal resources of the Group and bank financing in a ratio to be determined by the Company.

The Consideration shall be payable by the Purchaser to the Vendor in cash at Completion.

Completion

Completion will take place on 28 June 2007 or such other date as the parties may agree or to which Completion is postponed in accordance with the Agreement.

REASON FOR THE ACQUISITION

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. Since the Properties are located in prime area, the Acquisition allows the Group to enlarge its properties portfolio with high quality assets. The Directors consider that the Acquisition is in the interest of the Company and the terms of the Agreement are fair and reasonable as far as the Shareholders are concerned.

GENERAL

As the relevant percentage under the size tests (as defined in the Listing Rules) exceed 5% but not exceed 25%, the Acquisition 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

“Acquisition”	the acquisition of the Sale Shares and the Assigned Shareholder’s Loan by the Purchaser pursuant to the Agreement
“Agreement”	the agreement dated 4 June 2007 entered into between the Vendor and the Purchaser for the sale and purchase of the Sale Shares and the Assigned Shareholder’s Loan
“Assigned Shareholder’s Loan”	20% of the Shareholder’s Loan
“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”	completion of the Agreement
“Consideration”	the consideration to be paid by the Purchaser to the Vendor for the Acquisition pursuant to the Agreement
“Directors”	the directors of the Company
“Eden Bay”	Eden Bay Corporation, a company incorporated in the British Virgin Islands
“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
“Properties”	No. 50 to 59 Connaught Road Central, Hong Kong
“Purchaser”	Smart Rise Investments Limited, a company incorporated in British Virgin Islands and a wholly-owned subsidiary of the Company
“Sale Shares”	20% of the entire issued share capital of Eden Bay
“Shareholder’s Funds”	the aggregate of Shareholder’s Loan and the share capital of Eden Bay
“Shareholder’s Loan”	the Shareholder’s Loan due by Eden Bay to the Vendor

“Shareholders”	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”	Newgrounds Corporate Inc., a company incorporated in the British Virgin Islands and the ultimate beneficial owners of which are Independent Third Parties

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

Hong Kong, 5 June 2007

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 Wong, Peter, Mr. Lee Yuen Cheor, Edward and Mr. Wai Kwong Yuen, Ricky, the non-executive Director of the Company is Miss 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.