

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in National Electronics Holdings Limited, you should at once hand this circular to the purchaser or transferee or the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

**DISCLOSEABLE TRANSACTIONS
ACQUISITION OF PROPERTIES**

21 May 2007

CONTENTS

Page

DEFINITIONS	1
--------------------------	---

LETTER FROM THE BOARD

Introduction	3
--------------------	---

First Agreement Dated 9 May 2007	3
--	---

Second Agreement Dated 9 May 2007	4
---	---

Reason For The First Acquisition And The Second Acquisition	5
---	---

Additional Information	5
------------------------------	---

APPENDIX – GENERAL INFORMATION	6
---	---

DEFINITIONS

In this circular, the following expressions have the following meaning unless the context requires otherwise:

“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
“DTZ”	DTZ Debenham Tie Leung Limited, an independent valuer
“First Acquisition”	the acquisition of the First Property by the First Purchaser pursuant to the First Agreement
“First Agreement”	the preliminary agreement dated 9 May 2007 entered into between the First Vendor and the First Purchaser for the sale and purchase of the First Property
“First Property”	22nd floor (including the roof thereof) and car parking space no. 9 on Level 1, Century Tower II, Nos. 1 and 1A Tregunter Path, Hong Kong
“First Purchaser”	Champion Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“First Vendor”	Fairgold Company Limited, a company incorporated in Hong Kong and the ultimate beneficial owners of which are Independent Third Parties
“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
“Latest Practical Date”	18 May 2007 being the latest practicable date prior to the printing of this circular for ascertaining certain information contain in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Second Acquisition”	the acquisition of the Second Property by the Second Purchaser pursuant to the Second Agreement
“Second Agreement”	the preliminary agreement dated 9 May 2007 entered into between the Second Vendor and the Second Purchaser for the sale and purchase of the Second Property
“Second Property”	No. 101& 103 Bonham Strand and No. 127 Wing Lok Street, Hong Kong

DEFINITIONS

“Second Purchaser”	Asiatic Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Second Vendor”	Eternal Supreme Limited, a company incorporated in Hong Kong and the ultimate beneficial owners of which are Independent Third Parties
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s) ”	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

LETTER FROM THE BOARD

NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

Executive Directors

Mr. Lee Yuen Ching, Jimmy (*Chairman*)
Mr. Lee Yuen Kui, James (*Managing Director*)
Mr. Lee Yuen Wong, Peter
Mr. Lee Yuen Cheor, Edward
Mr. Wai Kwong Yuen, Ricky

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Non-executive Director

Miss Lee Yuen Yu, Dorathy

Head Office and Principal

Place of Business:

Suite 3201
Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

Independent Non-executive Directors

Dr. Samson Sun, M.B.E., J.P.
Mr. Chan Chak Cheung, William
Mr. Chan Kwok Wai

21 May 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION – ACQUISITION OF PROPERTY

INTRODUCTION

On 9 May 2007, the First Purchaser, a wholly-owned subsidiary of the Company, entered into the First Agreement with the First Vendor to acquire the First Property at a consideration of HK\$57,500,000. On the same day, the Second Purchaser, a wholly-owned subsidiary of the Company, entered into the Second Agreement with the Second Vendor to acquire the Second Property at a consideration of HK\$88,000,000. The Second Purchaser is independent from the First Purchaser. The First Property and the Second Property were introduced by estate agents which are Independent Third Parties.

The First Acquisition and the Second Acquisition constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide you with further information on the First Acquisition and the Second Acquisition.

FIRST AGREEMENT DATED 9 MAY 2007

Parties

First Vendor: Fairgold Company Limited, an Independent Third Party

First Purchaser: Champion Limited

LETTER FROM THE BOARD

Information of the First Property

The First Property is located at 22nd floor (including the roof thereof) and car parking space no. 9 on Level 1, Century Tower II, Nos. 1 and 1A Tregunter Path, Hong Kong. The First Property will be delivered to the First Purchaser upon completion of the First Agreement. The First Property is a residential property with a gross floor area of about 3,650 square feet which is currently self-used by the First Vendor.

Consideration and payment terms for the First Acquisition

The consideration for the First Acquisition of HK\$57,500,000 has been determined after arm's length negotiations between the parties by reference to the market value of the First Property of HK\$60,000,000 as at 3 May 2007, provided by an independent valuer, DTZ. Subject to obtaining the relevant banking facilities, the Group currently intends to finance the consideration of the First Acquisition by a combination of internal resources of the Group and bank financing in a ratio to be determined by the Company.

The consideration for the First Acquisition shall be payable to the First Vendor in cash in the following manner:

- (a) an initial deposit in the sum of HK\$5,750,000 has been paid by the First Purchaser upon signing of the First Agreement;
- (b) a further deposit of HK\$5,750,000 shall be paid by the First Purchaser on or before 23 May 2007; and
- (c) the remaining balance of HK\$46,000,000 shall be paid by the First Purchaser upon completion on or before 15 August 2007 provided that the First Vendor may on or after 2 July 2007 call for early completion by giving not less than 7 days' notice in writing.

Completion for the First Acquisition

Completion of the sale and purchase of the First Property shall take place on or before 15 August 2007 provided that the First Vendor may on or after 2 July 2007 call for early completion by giving not less than 7 days' notice in writing. Upon completion, the First Vendor shall deliver vacant possession of the First Property to the First Purchaser.

SECOND AGREEMENT DATED 9 MAY 2007

Parties

Second Vendor: Eternal Supreme Limited, an Independent Third Party

Second Purchaser: Asiatic Limited

Information of the Second Property

The Second Property is located at No. 101 & 103 Bonham Strand and No. 127 Wing Lok Street, Hong Kong. The Second Property will be delivered to the Second Purchaser upon completion of the Second Agreement. The Second Property is a commercial development site with a site area of about 2,063 square feet which is a vacant land and currently not in use.

LETTER FROM THE BOARD

Consideration and payment terms for the Second Acquisition

The consideration for the Second Acquisition of HK\$88,000,000 has been determined after arm's length negotiations between the parties by reference to the market value of the Second Property of HK\$95,000,000 as at 9 May 2007, provided by an independent valuer, DTZ. Subject to obtaining the relevant banking facilities, the Group currently intends to finance the consideration of the Second Acquisition by a combination of internal resources of the Group and bank financing in a ratio to be determined by the Company.

The consideration for the Second Acquisition shall be payable to the Second Vendor in cash in the following manner:

- (a) an initial deposit in the sum of HK\$4,400,000 has been paid by the Second Purchaser upon signing of the Second Agreement;
- (b) a further deposit of HK\$4,400,000 shall be paid by the Second Purchaser on or before 22 May 2007; and
- (c) the remaining balance of HK\$79,200,000 shall be paid by the Second Purchaser upon completion on or before 10 July 2007.

Completion for the Second Acquisition

Completion of the sale and purchase of the Second Property shall take place on or before 10 July 2007. Upon completion, the Second Vendor shall deliver vacant possession of the Second Property to the Second Purchaser.

REASON FOR THE FIRST ACQUISITION AND THE SECOND 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. The acquisition of the First Property and the Second Property allows the Group to enlarge its properties portfolio with high quality assets. The Company will use the First Property as an investment property for rental purpose. On the other hand, based on the future market conditions, the Company will determine whether the Second Property will be re-developed or resold. The Directors consider that the acquisition of the First Property and the Second Property is in the interest of the Company and the terms of the First Agreement and the Second Agreement are fair and reasonable as far as the Shareholders are concerned.

The Directors consider that the First Acquisition and the Second Acquisition will not have any effect on the earnings and net asset value of the Group. The First Acquisition and the Second Acquisition will bring an increase in the Group's assets but such increase will be offset by a decrease in cash balance and an increase in bank borrowings representing the considerations paid and payable.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares

Name of Director	Personal interests	Corporate interests	Other interests	Total interests	Percentage of the issued share capital of the Company
Mr. Jimmy Lee Yuen Ching	-	-	253,106,873 (note a)	253,106,873	24.50%
Mr. James Lee Yuen Kui	5,940	-	252,102,979 (note b)	252,108,919	24.40%
Mr. Peter Lee Yuen Wong	-	-	252,102,979 (note b)	252,102,979	24.40%
Mr. Edward Lee Yuen Cheor	-	-	252,102,979 (note b)	252,102,979	24.40%
Mr. Ricky Wai Kwong Yuen	-	37,267,767 (note d)	-	37,267,767	3.61%
Dr. Samson Sun, M.B.E., J.P.	-	4,988,968 (note c)	-	4,988,968	0.48%

Notes:

- (a) The 253,106,873 Shares are part of the property of a discretionary trust of which Mr. Jimmy Lee Yuen Ching and his family members are named beneficiaries.
- (b) The 252,102,979 Shares are part of the property of a discretionary trust of which each of Messrs. James Lee Yuen Kui, Peter Lee Yuen Wong and Edward Lee Yuen Cheor are named beneficiaries.

- (c) The 4,988,968 Shares are held by a company controlled by Dr. Samson Sun, M.B.E., J.P.
- (d) The 37,267,767 Shares are held by two companies controlled by Mr. Ricky Wai Kwong Yuen.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

(b) Interests of Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or may not be terminated by the Company within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, there was no litigation or claims of material importance known to the Directors pending or threatened against any member of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their associates (as such term is defined in the Listing Rules) had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. GENERAL

- (i) The qualified accountant and company secretary of the Company is Ms. Yue Man Ying, who is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. Yue holds a Master Degree in Business Administration.
- (ii) The branch registrar and transfer office of the Company in Hong Kong is Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (iii) The English version of this circular shall prevail over the Chinese text.