

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.

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NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF PROPERTY**

6 August 2007

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DEFINITIONS

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

“Agreement”	the preliminary agreement dated 16 July 2007 entered into between the Vendor and the Purchaser for the sale and purchase of the Property
“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
“Disposal”	the disposal of the Property by the Vendor pursuant to the Agreement
“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”	3 August 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Property”	House No. 8 (including its carport on lower ground floor, its garden on ground floor and its main roof), Villa Rosa, No. 88 Red Hill Road, Hong Kong
“Purchaser”	Sea Bright Properties 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 shareholder(s) of the Company
“Share(s)”	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”	Cherish Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company

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 Bon Chi, Loewe
Mr. Lee Yuen Cheor, Edward
Mr. Wai Kwong Yuen, Ricky

Non-executive Director

Miss Lee Yuen Yu, Dorathy

Independent Non-executive Directors

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

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head Office and Principal

Place of Business:
Suite 3201
Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

6 August 2007

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
DISPOSAL OF PROPERTY**

INTRODUCTION

On 16 July 2007, the Vendor, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser to dispose the Property at a consideration of HK\$82,000,000.

The Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide you with further information on the Disposal.

AGREEMENT DATED 16 JULY 2007

Parties

Purchaser: Sea Bright Properties Limited, the purchaser and the ultimate beneficial owners of which are Independent Third Parties

Vendor: Cherish Limited

LETTER FROM THE BOARD

Information of the Property

The Property is located at House No. 8 (including its carport on lower ground floor, its garden on ground floor and its main roof), Villa Rosa, No. 88 Red Hill Road, Hong Kong. The Property is a residential property with a gross floor area of 5,972 sq.ft..

Consideration and payment terms

The consideration for the Disposal of HK\$82,000,000 has been determined after arm's length negotiations between the parties by reference to the market value of the Property of HK\$81,000,000 as at 16 July 2007, being a value indication by an independent valuer, DTZ Debenham Tie Leung Limited. The Group currently intends to use the net proceeds from the Disposal of approximately HK\$67.8 million for repayment of bank loan and approximately HK\$13.3 million for general working capital of the Group.

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

- (a) an initial deposit in the sum of HK\$4,100,000 has been paid by the Purchaser upon signing of the Agreement;
- (b) a further deposit of HK\$12,300,000 shall be paid by the Purchaser on or before 9 August 2007; and
- (c) the remaining balance of HK\$65,600,000 shall be paid by the Purchaser upon completion on or before 29 October 2007.

Completion

Pursuant to the Agreement, the parties are required to enter into a formal agreement for the sale and purchase of the Property on or before 9 August 2007. Completion of the sale and purchase of the Property shall take place on or before 29 October 2007. Upon completion, the Vendor shall deliver vacant possession of the Property to the Purchaser.

REASON FOR THE DISPOSAL

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 Property was acquired by the Group in December 1999. It was initially used by the Group for rental purposes until May 2005. Since then, the Property has been vacant. The Directors consider that the Disposal provides an opportunity for the Group to realise the Property and provide working capital for the Group in view of the present property market in Hong Kong. The Directors consider that the disposal of the Property is in the interest of the Company and the terms of the Agreement are fair and reasonable as far as the Shareholders are concerned.

LETTER FROM THE BOARD

The unaudited net loss both before and after taxation and extraordinary items attributable to the Property for the year ended 31 March 2007 was approximately HK\$2.99 million.

The audited net loss both before and after taxation and extraordinary items attributable to the Property for the year ended 31 March 2006 was approximately HK\$2.08 million.

As at 30 September 2006, the unaudited net book value of the Property was approximately HK\$46.11 million. Based on such net book value, a gain of approximately HK\$34.99 million is expected to accrue to the Group upon completion of the Agreement after taking into account of the related expenses payable by the Group of approximately HK\$0.9 million.

FINANCIAL EFFECT OF THE DISPOSAL

The net assets of the Group will be increased by approximately HK\$34.99 million following the Disposal. The total assets of the Group will be decreased by approximately HK\$32.81 million is a result of the decrease in the net book value of the Property of approximately HK\$46.11 million and the increase in the bank balance of approximately HK\$13.3 million. Such decrease in total assets will be offset by a decrease in bank loan of approximately HK\$67.8 million following the Disposal. The Property has been vacant since May 2005 and hence no rental income is derived from the Property. It is expected that the Disposal will bring a positive contribution to the results of the Group since expenses relating to the Property will no longer be incurred.

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	24.53%
Mr. Loewe Lee Bon Chi	—	—	253,106,873 (note a)	253,106,873	24.53%
Mr. James Lee Yuen Kui	5,940	—	252,102,979 (note b)	252,108,919	24.43%
Mr. Edward Lee Yuen Cheor	—	—	252,102,979 (note b)	252,102,979	24.43%
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 including Mr. Loewe Lee Bon Chi 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 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 Queens Road East, Wanchai, Hong Kong.
- (iii) The English version of this circular shall prevail over the Chinese text.