

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 TRANSACTION

ACQUISITION OF PROPERTY

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	
Introduction	2
The Agreement	2
Reason For The Acquisition	3
Additional Information	4
APPENDIX — GENERAL INFORMATION	5

DEFINITIONS

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

“Acquisition”	the acquisition of the Property by the Purchaser pursuant to the Agreement on 15 August 2007
“Agreement”	the agreement entered into between the Vendors 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
“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”	31 August 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
“Property”	consists of the lands located at 5, 7 and 9 Sultan Street, Toronto, Canada
“Purchaser”	St. Thomas Commercial Developments Incorporated, a company incorporated in Canada and a wholly-owned subsidiary of the Company
“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
“Vendors”	Environment Planning Associates Limited and Helena Grossman, they together with the ultimate beneficial owners of which are Independent Third Parties

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

3 September 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION ACQUISITION OF PROPERTY

INTRODUCTION

On 15 August 2007, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors to acquire the Property at a consideration of CAD5,150,000 (i.e. approximately HK\$37,270,550).

The Acquisition 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 Acquisition.

THE AGREEMENT

Parties

Vendors: Environment Planning Associates Limited and Helena Grossman, they, the ultimate beneficial owner of Environment Planning Associates Limited together with the associates of Helena Grossman are Independent Third Parties

Purchaser: St. Thomas Commercial Developments Incorporated

Information of the Property

The Property consists of the lands located at 5, 7 and 9 Sultan Street, Toronto, Canada and the existing buildings on these lands. The Property will be delivered to the Purchaser upon completion of

LETTER FROM THE BOARD

the Agreement. The Property is a development site with three houses with a gross area of about 5,951 square feet. The current purpose of the Property is both residential and commercial. The houses are currently subject to tenancy with expiry ranging from 31 August 2007 to 31 July 2009 and monthly rent ranging from CAD375 (i.e. approximately HK\$2,714) to CAD2,582 (i.e. approximately HK\$18,686). All the tenants are Independent Third Parties.

The Company is unable to obtain the net profits attributable to the Property for the two financial years ended 31 March 2007 since the Vendors are Independent Third Parties.

Consideration and payment terms for the Acquisition

The consideration for the Acquisition of CAD5,150,000 (i.e. approximately HK\$37,270,550) has been determined after arm's length negotiations between the parties by reference to the market value of the Property of CAD5,200,000 (i.e. approximately HK\$37,632,400) as at 7 August 2007, provided by an independent valuer, J. J. Barnicke Limited. Subject to obtaining the relevant banking facilities, the Group currently intends to finance the consideration of the 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 Acquisition shall be payable to the Vendors in cash in the following manner:

- (a) an initial deposit in the sum of CAD500,000 (i.e. approximately HK\$3,618,500) has been paid by the Purchaser upon signing of the Agreement; and
- (b) the remaining balance of CAD4,650,000 (i.e. approximately HK\$33,652,050) shall be paid by the Purchaser upon completion on 11 September 2007.

Completion for the Acquisition

Completion of the sale and purchase of the Property shall take place on 11 September 2007. There are no conditions precedent to the completion. Upon completion, the Vendors shall deliver vacant possession of the Property to the Purchaser.

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. The acquisition of the Property allows the Group to enlarge its properties portfolio with high quality assets. The Company will use the houses as investment properties for rental purpose. On the other hand, the Company intends to re-develop the lands into a high density residential and commercial complex. The Directors consider that the acquisition 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.

The Directors consider that the Acquisition will not have any effect on the earnings and net asset value of the Group. The Acquisition will bring an increase in the Group's assets but such increase will

LETTER FROM THE BOARD

be offset by a decrease in cash balance and an increase in bank borrowings representing the consideration paid and payable of CAD5,150,000 (i.e. approximately HK\$37,270,550), which will be financed by a combination of internal resources of the Group and bank financing in a ratio to be determined by the Company.

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 <i>(note a)</i>	253,106,873	24.66%
Mr. Loewe Lee Bon Chi	—	—	253,106,873 <i>(note a)</i>	253,106,873	24.66%
Mr. James Lee Yuen Kui	5,940	—	252,102,979 <i>(note b)</i>	252,108,919	24.56%
Mr. Edward Lee Yuen Cheor	—	—	252,102,979 <i>(note b)</i>	252,102,979	24.56%
Mr. Ricky Wai Kwong Yuen	—	37,267,767 <i>(note d)</i>	—	37,267,767	3.63%
Dr. Samson Sun, M.B.E., J.P.	—	4,988,968 <i>(note c)</i>	—	4,988,968	0.49%

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 Tricor Standard 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.