
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about 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 (the “Company”), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to 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)

GENERAL MANDATES TO ISSUE SHARES AND PURCHASE SHARES, ADOPTION OF SHARE OPTION SCHEME, RE-ELECTION OF DIRECTORS AND NOTICE OF ANNUAL GENERAL MEETING

A notice convening the annual general meeting of the Company to be held on Wednesday, 20 August 2008 at 10:00 a.m. at Pheasant & Jasmine Room, 1/F., Mandarin Oriental, 5 Connaught Road, Central, Hong Kong is set out on pages 24 to 28 of this circular.

A form of proxy for use in respect of the annual general meeting of the Company is enclosed. Whether or not you are able to attend the annual general meeting of the Company in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company’s principal place of business in Hong Kong at Suite 3201, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not prevent you from attending and voting at the meeting, or any adjournment thereof, if you so wish.

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DEFINITIONS

In this circular, unless the content otherwise requires, the following expressions have the following meanings:

“Adoption Date”	the date on which the Share Option Scheme is adopted by resolution of the Shareholders in general meeting;
“AGM”	the annual general meeting of the Company to be held on Wednesday, 20 August 2008 at 10:00 a.m. at Pheasant & Jasmine Room, 1/F., Mandarin Oriental, 5 Connaught Road, Central, Hong Kong;
“AGM Notice”	the notice convening the AGM set out on pages 24 to 28 of this circular;
“Associates”	the meaning ascribed thereto in the Listing Rules;
“Auditors”	at any time the auditors of the Company at that time;
“Board”	the board of Directors;
“Business Day”	any day (excluding a Saturday and Sunday) on which banks are generally open for business in Hong Kong;
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Company”	National Electronics Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange;
“connected person”	the meaning ascribed to it under the Listing Rules;
“Date of Grant”	in respect of an Option, the Business Day on which the Board resolves to make an Offer to a Participant, whether or not the Offer is subject to Shareholders’ approval;
“Directors”	the directors of the Company;
“Grantee”	any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee or the legal personal representative of such person;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

DEFINITIONS

“Issue Mandate”	a general mandate proposed to be granted to the Directors to exercise all the powers of the Company to allot and issue Shares in the manner set out in the AGM Notice;
“Latest Practicable Date”	25 July 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Option”	at any time an option to subscribe for Shares pursuant to the Share Option Scheme and for the time being subsisting;
“Option Period”	in respect of any particular Option, the period to be determined and notified by the Board to the Grantee at the time of making an Offer which shall not expire later than 10 years from the Date of Grant;
“Participants”	directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group;
“Purchase Mandate”	a general mandate proposed to be granted to the Directors to exercise all the powers of the Company to purchase Shares in the manner set out in the AGM Notice;
“Scheme Limit”	the maximum number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme stipulated in Note (1) to Rule 17.03(3) of the Listing Rules, namely, that such number shall not exceed 10% of the Shares in issue as at the date of approval of the Share Option Scheme;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company;
“Share Option Scheme”	the proposed Share Option Scheme to be adopted by the Company;
“Shareholder(s)”	holder(s) of (a) Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers; and
“Vest” or “Vesting”	in relation to an Option, becoming exercisable.

LETTER FROM THE BOARD

NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

Executive Directors:

Jimmy Lee Yuen Ching *Chairman*
James Lee Yuen Kui *Managing Director*
Loewe Lee Bon Chi
Edward Lee Yuen Cheor
Ricky Wai Kwong Yuen

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Non-Executive Directors:

Dorathy Lee Yuen Yu

Principal place of business in Hong Kong:

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

Independent non-Executive Directors:

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

29 July 2008

To the Shareholders

Dear Sir or Madam,

**GENERAL MANDATES TO ISSUE SHARES AND PURCHASE SHARES,
ADOPTION OF SHARE OPTION SCHEME,
RE-ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to (i) provide you with details of the proposed Issue Mandate and the proposed Purchase Mandate; (ii) set out an explanatory statement regarding the Purchase Mandate as required under the Listing Rules; (iii) provide you with information regarding the re-election of Directors; (iv) provide you with details of the Share Option Scheme proposed to be adopted by the Company; and (v) give you notice of the AGM.

LETTER FROM THE BOARD

GENERAL MANDATES TO ISSUE AND PURCHASE SHARES

Ordinary resolutions will be proposed at the AGM to give to the Directors new general mandates:

- (i) to allot, issue and otherwise deal with new Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the proposed resolution at the AGM; and
- (ii) to purchase Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the proposed resolution at the AGM.

In addition, a separate ordinary resolution will be proposed at the AGM to add to the Issue Mandate those Shares purchased by the Company pursuant to the Purchase Mandate (if granted to the Directors at the AGM).

As at the Latest Practicable Date, a total of 992,421,928 Shares were in issue. Subject to passing of ordinary resolution no. 8 at the AGM and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company would be allowed under the Issue Mandate above to issue a maximum of 198,484,385 Shares.

An explanatory statement containing information regarding the Purchase Mandate as required by the Listing Rules is set out in Appendix I to this circular.

RE-ELECTION OF DIRECTORS

In accordance with Bye-Law 99, the Directors retiring by rotation at the forthcoming AGM are Jimmy Lee Yuen Ching, Edward Lee Yuen Cheor and Chan Kwok Wai who, being eligible, will offer themselves for re-election at the AGM. The particulars of these Directors which are required to be disclosed by the Listing Rules are set out in Appendix II to this circular.

ADOPTION OF SHARE OPTION SCHEME

The Company does not have in place a share option scheme. It is proposed that the Company will adopt a share option scheme, which will comply with the requirements under Chapter 17 of the Listing Rules, to provide the Participants with the opportunity to acquire the Shares, thereby encouraging the grantee of such options to work towards enhancing the value of the Company. The summary of the principal terms of the Share Option Scheme is set out in Appendix III to the Circular. The proposed adoption of the Share Option Scheme is subject to the following conditions:

- (i) the Shareholders passing an ordinary resolution at the AGM to approve the adoption of the Share Option Scheme; and
- (ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options in accordance with the terms and conditions of the Share Option Scheme.

LETTER FROM THE BOARD

An application will be made to the Stock Exchange for approval of the listing and permission to deal in Shares that may be issued pursuant to the exercise of the options to be granted in accordance with the terms and conditions of the Share Option Scheme.

ANNUAL GENERAL MEETING

The AGM Notice is set out on pages 24 to 28 of this circular. A form of proxy for use at the AGM is enclosed. Whether or not you are able to attend the AGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's principal place of business at Suite 3201, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the AGM. Completion and return of the form of proxy will not prevent you from attending and voting at the AGM, or any adjournment thereof, if you so wish. No Shareholder will be required to abstain from voting at the AGM.

Pursuant to Bye-Law 70, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded (i) by the Chairman; or (ii) by at least three members present in person or by proxy or by representative for the time being entitled to vote at the meeting; or (iii) by any member or members present in person or by proxy or by representative and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (iv) by a member or members present in person or by proxy or by representative and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

DOCUMENT FOR INSPECTION

Copies of the draft Share Option Scheme will be available for inspection at the Company's principal of business in Hong Kong at Suite 3201, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong from the date of this circular up to and including Wednesday, 20 August, 2008 and at the AGM.

RECOMMENDATION

The Board considers that the granting of the Issue Mandate and the Purchase Mandate, the re-election of Directors and the adoption of the Share Option Scheme are in the best interests of the Company and its Shareholders and accordingly recommend all the Shareholders to vote in favour of the relevant resolutions as set out in the AGM notice.

Yours faithfully,
By the order of the Board
National Electronics Holdings Limited
Jimmy Lee Yuen Ching
Chairman

This appendix includes an explanatory statement required by the Stock Exchange to be presented to Shareholders concerning the Purchase Mandate proposed to be granted to the Directors.

1. LISTING RULES FOR PURCHASES OF SHARES

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

The Listing Rules provide that all proposed purchases of shares by a company with a primary listing on the Stock Exchange must be approved by shareholders in advance by an ordinary resolution, either by way of a general mandate or by a specific approval of a particular transaction and that the shares to be purchased must be fully paid up.

2. FUNDING OF PURCHASES

Any purchase will be made out of funds which are legally available for the purpose in accordance with the memorandum of association and bye-laws of the Company and applicable laws of Bermuda. As compared with the financial position of the Company as at 31 March 2008 (being the date to which the latest published audited financial statements of the Company have been made up), the Directors consider that there would not be a material adverse impact on the working capital and on the gearing position of the Company in the event the proposed purchases were to be carried out in full during the proposed purchase period.

The Directors do not propose to exercise the Purchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital of the Company or the gearing position which in the opinion of the Directors are from time to time appropriate for the Company.

3. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 992,421,928 Shares.

Subject to the passing of the relevant ordinary resolutions to approve the general mandates to issue and purchase Shares and on the basis that no further Shares are issued or purchased between the Latest Practicable Date and the AGM, the Company would be allowed under the purchase proposal to purchase a maximum of 99,242,192 Shares (representing 10% of the total issued share capital of the Company) during the period from the date of the AGM up to:-

- (i) the conclusion of next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable laws of Bermuda to be held; or
- (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of the Shareholders in general meeting of the Company, whichever occurs first.

4. REASONS FOR PURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders to have a general authority from the Shareholders to enable the Directors to purchase Shares on the market as this will give the Company greater flexibility. Such purchases will only be made when the Directors believe that such purchases will benefit the Company and the Shareholders.

5. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the Purchase Mandate in accordance with the Listing Rules, the applicable laws of Bermuda and in accordance with the bye-laws of the Company.

6. EFFECT OF THE TAKEOVERS CODE

If as a result of a purchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purpose of the Takeovers Code. As a result, a shareholder or a group of shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors:

- (i) Mr. James Lee Yuen Kui and Mr. Edward Lee Yuen Cheor were together interested in 252,102,979 Shares, representing approximately 25.4% of the issued share capital of the Company, and approximately 28.23% of the issued share capital of the Company in the event the Purchase Mandate is exercised in full, assuming no further change in the number of Shares so held, such Shares being part of the property of a discretionary trust of which each of them is a named beneficiary;
- (ii) Mr. Jimmy Lee Yuen Ching and Mr. Loewe Lee Bon Chi were together interested in 253,106,873 Shares, representing approximately 25.50% of the issued share capital of the Company, and approximately 28.34% of the issued share capital in the event the Purchase Mandate is exercised in full, assuming no further change in the number of Shares so held, such Shares being part of the property of a discretionary trust of which each of them is a named beneficiary;

As the parties referred to in (i) and (ii) are parties presumed to be acting in concert under the Takeovers Code and their aggregate shareholding of the issued share capital of the Company is 50.9% as at the Latest Practicable Date, the Directors do not expect the increase in shareholding resulting from the exercise of the Purchase Mandate in full will give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. The Board will endeavour to ensure that the exercise of the Purchase Mandate will not result in less than 25% of the Shares being held by the public.

The Directors do not intend to exercise the power to purchase Shares to an extent which would render the aforesaid Shareholders or any Shareholder or group of Shareholders obliged to make a mandatory offer under Rule 26 of the Takeover Code. The Board will endeavour to ensure that the exercise of the Purchase Mandate will not result in less than 25% of the Shares being held by the public.

7. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of the knowledge and belief of the Directors, having made all reasonable enquiries, any of their respective associates has any present intention, in the event that the proposed Purchase Mandate is approved by the Shareholders, to sell Shares to the Company. No connected person of the Company has notified the Company that he/she/it has a present intention to sell Shares to the Company nor has he/she/it undertaken not to sell any of the Shares held by him/her/it to the Company in the event that the Company is authorised to make purchases of Shares.

8. SHARE PURCHASES MADE BY THE COMPANY

The Company has purchased 13,720,000 Shares on the Stock Exchange for a total consideration of HK\$7,360,340 during the preceding six months ended on the Latest Practicable Date as follows:

Date	No. of Shares	Total no. of Shares	Total Consideration HK\$	Share Price	
				Highest HK\$	Lowest HK\$
January/2008					
2	680,000		421,600	0.620	0.620
3	1,650,000		1,039,500	0.630	0.630
16	1,164,000		696,520	0.600	0.580
18	20,000		11,400	0.570	0.570
21	80,000		43,200	0.540	0.540
22	80,000		39,200	0.490	0.490
23	378,000		192,780	0.510	0.510
24	240,000		122,400	0.510	0.510
25	100,000		53,000	0.530	0.530
28	50,000		26,000	0.520	0.520
29	60,000		31,500	0.530	0.520
30	50,000		25,000	0.500	0.500
31	50,000	<u>4,602,000</u>	<u>25,000</u>	0.500	0.500
			2,727,100		

APPENDIX I**EXPLANATORY STATEMENT**

Date	No. of Shares	Total no. of Shares	Total Consideration HK\$	Share Price	
				Highest HK\$	Lowest HK\$
February/2008					
1	216,000		108,000	0.500	0.500
4	200,000		102,000	0.510	0.510
5	100,000		51,000	0.510	0.510
6	272,000		134,640	0.495	0.495
12	116,000		57,600	0.500	0.490
13	100,000		50,000	0.500	0.500
14	100,000		51,000	0.510	0.510
15	100,000		51,000	0.510	0.510
18	100,000		52,000	0.520	0.520
19	100,000	<u>1,404,000</u>	<u>51,000</u>	0.510	0.510
			708,240		
March/2008					
4	200,000		100,200	0.510	0.500
5	100,000		50,000	0.500	0.500
6	350,000		172,750	0.500	0.490
7	40,000		20,000	0.500	0.500
10	60,000		30,000	0.500	0.500
11	60,000		30,000	0.500	0.500
12	50,000		25,500	0.510	0.510
13	40,000		19,800	0.495	0.495
14	40,000		19,800	0.495	0.495
17	100,000		46,450	0.475	0.460
18	73,000		37,870	0.475	0.460
19	50,000		24,000	0.480	0.480
20	50,000		23,500	0.470	0.470
25	60,000		28,850	0.485	0.480
26	54,000		26,190	0.485	0.485
27	82,000		39,560	0.485	0.480
28	70,000		34,350	0.495	0.490
31	110,000	<u>1,598,000</u>	<u>53,400</u>	0.490	0.485
			782,220		
April/2008					
1	60,000		29,200	0.495	0.485
2	30,000		15,000	0.500	0.500
3	30,000		14,850	0.495	0.495
7	30,000		14,850	0.495	0.495
8	30,000		15,000	0.500	0.500

APPENDIX I
EXPLANATORY STATEMENT

Date	No. of Shares	Total no. of Shares	Total Consideration <i>HK\$</i>	Share Price	
				Highest <i>HK\$</i>	Lowest <i>HK\$</i>
9	170,000		84,150	0.495	0.495
10	200,000		100,000	0.500	0.500
11	100,000		50,000	0.500	0.500
17	50,000		24,750	0.495	0.495
18	200,000		99,000	0.495	0.495
21	240,000		118,300	0.495	0.490
22	220,000		107,150	0.490	0.485
23	640,000		315,100	0.495	0.490
24	400,000		200,000	0.500	0.500
25	200,000		99,000	0.495	0.495
28	10,000		4,950	0.495	0.495
29	550,000		280,500	0.510	0.510
30	220,000	<u>3,380,000</u>	<u>114,400</u>	0.520	0.520
			1,686,200		
May/2008					
2	300,000		159,000	0.530	0.530
5	90,000		46,800	0.520	0.520
7	100,000		52,000	0.520	0.520
9	100,000		51,000	0.510	0.510
15	100,000		52,000	0.520	0.520
16	110,000		56,200	0.520	0.510
19	50,000		26,000	0.520	0.520
20	100,000		51,000	0.520	0.510
21	84,000		42,840	0.510	0.510
22	88,000		45,760	0.520	0.520
23	70,000		36,400	0.520	0.520
26	50,000		25,500	0.510	0.510
27	100,000		52,000	0.520	0.520
28	70,000		36,400	0.520	0.520
29	50,000	<u>1,462,000</u>	<u>26,500</u>	0.530	0.530
			759,400		
June/2008					
10	700,000		385,000	0.550	0.550
11	252,000		138,600	0.550	0.550
12	202,000		109,080	0.540	0.540
13	100,000	<u>1,254,000</u>	<u>54,000</u>	0.540	0.540
			686,680		

Date	No. of Shares	Total no. of Shares	Total Consideration <i>HK\$</i>	Share Price	
				Highest <i>HK\$</i>	Lowest <i>HK\$</i>
July/2008					
23	10,000		5,300	0.530	0.530
24	10,000	<u>20,000</u>	<u>5,200</u>	0.520	0.520
			10,500		
		<u>13,720,000</u>	<u>7,360,340</u>		

The Company repurchased the Shares referred to above because it believes that such repurchase will reduce the share capital of the Company, thereby enhancing the equity attributable to the Shares.

The Company confirms that the number of Shares repurchased over the 6 months preceding six months ended on the Latest Practicable Date were within the 10% limit pursuant to general mandate granted to the Directors to exercise all the powers of the Company to purchase Shares at the Company's annual general meeting held on 16 August 2007.

9. SHARE PRICE

The highest and lowest prices at which the Shares were traded on the Stock Exchange in each of the twelve months immediately prior to the Latest Practicable Date were as follows:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
July 2007	0.830	0.500
August 2007	0.680	0.450
September 2007	0.670	0.520
October 2007	0.660	0.495
November 2007	0.700	0.580
December 2007	0.680	0.610
January 2008	0.640	0.480
February 2008	0.530	0.485
March 2008	0.510	0.445
April 2008	0.530	0.475
May 2008	0.640	0.510
June 2008	0.620	0.510
July (up to and including the Latest Practicable Date)	0.560	0.490

The following is a summary of principal terms of the Share Option Scheme. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

1. PURPOSE OF THE SCHEME

The purpose of the Share Option Scheme is to attract and retain personnel, to provide incentives to Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

2. WHO MAY JOIN AND BASIS OF ELIGIBILITY

The Board may, at its discretion and on such terms as it may think fit, grant any Participant an Option as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any Participant to the grant of any Option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

3. DURATION AND ADMINISTRATION

The Share Option Scheme will be valid and effective for a period of ten (10) years commencing on the Adoption Date, after which period no further Options will be offered or granted. The Share Option Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided herein) shall be final and binding on all parties. The Board shall, subject to the rules of the Share Option Scheme and the Listing Rules, have the right and at its discretion and based on such factors as it shall consider relevant to:

- (i) interpret and construe the provisions of the Share Option Scheme and Options made under it;
- (ii) determine the eligibility of persons who will be granted Options under the Share Option Scheme;
- (iii) determine the date of the grant of Option;
- (iv) determine the number of Shares to be subject to the Option;
- (v) determine the terms and conditions of the Option including:
 - (a) the Subscription Price (if relevant);
 - (b) the minimum period, if any, for which the Option must be held before it Vests;
 - (c) performance targets and other criteria, if any, to be satisfied before the Option can Vest;

- (d) the amount, if any, payable on application or acceptance of the Option and the period within which payments or calls must or may be made or loans for such purposes must be repaid;
 - (e) the period, if any, during which Shares allotted and issued or transferred upon Vesting of the Option shall be subject to restrictions on dealings, and the terms of such restrictions;
 - (f) the notification period, if any, to be given to the Company of any intended sale of Shares allotted and issued or transferred upon Vesting of the Option; and
 - (g) Option Period (if relevant);
- (vi) approve the form of Option agreements;
- (vii) prescribe, amend and rescind rules and regulations relating to the Share Option Scheme;
- (viii) subject to the other provisions of the Share Option Scheme, make appropriate and equitable adjustments to the terms and conditions of any Option agreement, including extending the Option Period (provided that it shall not be greater than the period (if any) prescribed by the Listing Rules from time to time (which is, at the Adoption Date, not more than 10 years from the commencement date) and waiving or amending (in whole or in part) any conditions to which Options are subject; and
- (ix) to make such other decisions or determinations as it shall deem appropriate in the administration of the Share Option Scheme.

4. OPTIONS TO BE OFFERED WITHIN 10 YEARS

The Board will be entitled at any time within ten (10) years after the Adoption Date and subject to such conditions as the Board may think fit make an Offer to any Participant as the Board may in its absolute discretion select.

5. TERMS AND CONDITIONS

The Board may grant Options on such terms and subject to such conditions as it thinks fit. The Board may, in its absolute discretion, determine that Options will be subject to performance targets that must be achieved before Vesting.

6. OFFER AND ACCEPTANCE

An offer of an Option must be accepted within twenty-eight (28) days from the Date of Grant. Any Offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. To the extent that the Offer is not accepted within the prescribed time period, it will be deemed to have been irrevocably declined.

7. OFFERS MADE TO DIRECTORS, CHIEF EXECUTIVE, AND SUBSTANTIAL SHAREHOLDERS AND THEIR RESPECTIVE ASSOCIATES

Insofar as the Listing Rules require and subject to the terms of the Share Option Scheme, where any Offer proposed to be made to a Director or a chief executive or a substantial shareholder of the Company or any of his, her or its associates (as defined by the Listing Rules) must be approved by all the independent non-executive Directors (excluding an independent non-executive Director who is the proposed grantee of Options in question).

8. SUBSCRIPTION PRICE FOR OPTIONS

The Subscription Price payable on the exercise of an Option shall be a price determined by the Board at its absolute discretion and notified to a Participant and shall be no less than the greatest of:

- (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the Date of Grant;
- (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five (5) business days immediately preceding the Date of Grant; or
- (iii) the nominal value of the Shares.

9. TRANSFER

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any Option, unless under the circumstances permitted by the Share Option Scheme.

10. VESTING OF OPTIONS

The Board will determine the minimum period, if any, for which a Share Option must be held before it vests and any other conditions in relation to dealing with Shares on vesting. In particular:

- (i) in the event of the Grantee ceasing to be a Participant by reason of his death before exercising his Option in full and none of the events which would be a ground for termination of his employment as specified in paragraph (12)(v) having arisen, his legal personal representative(s) may exercise the Option up to the Grantee's entitlement as at the date of death (to the extent not already exercised) within the period of 12 months following his death;
- (ii) in the event of a Grantee who is an employee or a Director of the Company or another member of the Group ceasing to be a Participant for any reason other than his death or the termination of his employment or directorship on one or more of the grounds specified in paragraph (12)(v), the Option (to the extent not already exercised) shall lapse on the date of cessation or termination of such employment and shall on that day cease to be exercisable;

- (iii) in the event of a Grantee who is not an employee or a director of the Company or another member of the Group ceasing to be a Participant (which shall be as and when determined by the Board by resolution) for any reason other than his death the Board may by written notice to such Grantee within one month from (and including) the date of such cessation determine the period within which the Option (or such remaining part thereof) shall be exercisable following the date of such cessation and if the Board does not serve such a written notice within that one month period, the Option shall remain exercisable at any time during the original Option Period;
- (iv) in the event of the Grantee ceasing to be a Participant by reason of the termination of his employment or directorship on one or more of the grounds specified in paragraph (12)(v), his Option shall lapse automatically (to the extent not already exercised) and shall not be exercisable on or after the date of termination of his employment and to the extent the Grantee has exercised the Option in whole or in part pursuant to the Share Option Scheme, but Shares have not been allotted to him, the Grantee shall be deemed not to have so exercised such Option and the Company shall return to the Grantee the amount of the Subscription Price for the Shares received by the Company in respect of the purported exercise of such Option;
- (v) if a general offer by way of takeover (other than by way of scheme of arrangement pursuant to paragraph (10)(vi) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or, where appropriate, his or her personal representatives) shall be entitled to exercise the Option in full (to the extent not already exercised) or to the extent as notified by the Company at any time within such period as shall be notified by the Company;
- (vi) if a general offer by way of scheme of arrangement is made to holders of Shares with the Share Option Scheme having been approved by the necessary number of holders of Shares at the requisite meetings, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his or her personal representatives) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option to its full extent or to the extent specified in such notice;
- (vii) in the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his or her personal representatives) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued; and

(viii) other than a scheme of arrangement contemplated in paragraph (10)(vi) above, in the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with the scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such compromise or arrangement, and the Grantee (or his or her personal representatives) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on exercise of such Option.

11. CONSEQUENCES OF VESTING

(i) Options

The Options do not carry any voting and dividend rights. On Vesting, an Option becomes exercisable to the extent that it Vests. An Option shall be exercised in whole or in part by the Grantee to the extent it has Vested, by giving notice in writing to the Company in a prescribed form. Any partial exercise of an Option shall be in respect of such number of Shares as from time to time constitutes a board lot for the purposes of trading Shares on the Stock Exchange or an integral multiple thereof.

(ii) Allotment and Issue of Shares

Within twenty-eight (28) days after receipt of the notice and, where appropriate, other necessary documentations, and subject to the accompanying remittance having been honored in full, the Company shall allot and issue the relevant Shares to the Grantee credited as fully paid and shall instruct the Share registrar to issue to the Grantee a share certificate in respect of the Shares so allotted and issued.

(iii) Rights

A Grantee shall not be entitled to vote, to receive dividends or to have any other rights, including those arising on the liquidation of the Company.

(iv) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Memorandum of Association and the Bye-laws of the Company for the time being in force and will rank *pari passu* in all respects with and have the same voting and dividend rights as the existing fully paid Shares in issue as from the date when the name of Grantee is registered on the register of members of the Company.

12. LAPSE OF OPTIONS

An Option shall lapse automatically (to the extent not already Vested or in the case of an Option, to the extent not already exercised) on the earliest of:

- (i) in the case of an Option and subject to the terms of the Share Option Scheme, the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraph (11);
- (iii) the expiry of the period referred to in paragraph (10)(v) provided that if any court of competent jurisdiction makes an order the effect of which is to prevent the offeror from acquiring the remaining Shares in the Offer, the relevant period within which Options may be exercised, shall not begin to run until the discharge of the order in question or unless the Offer lapses or is withdrawn before that date;
- (iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (10)(vi);
- (v) where the Grantee is an employee or Director, the date on which the Grantee ceases to be a Participant by reason of the termination of his or her employment or directorship on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect being able to pay debts or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or any ground on which an employer would be entitled to terminate his or her employment summarily;
- (vi) the date of the commencement of the winding-up of the Company;
- (vii) the date on which the Grantee commits a breach of paragraph (i); and
- (viii) subject to paragraph (10)(ii) the date the Grantee ceases to be a Participant for any other reason.

13. CANCELLATION OF OPTIONS

Any Options granted but not exercised may be cancelled if the Grantee so agrees with or without new Options being granted to the Grantee provided that any new Options granted shall fall within the limits prescribed by the terms of this Share Option Scheme (excluding the cancelled Options), and are otherwise granted in accordance with the terms of this Share Option Scheme.

14. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION**(i) Overriding Limit (the “Overriding Limit”)**

Subject to the Listing Rules, the overall limit on the number of Shares subject to Options from time to time under the Share Option Scheme and any other schemes must not, in aggregate, exceed 10 per cent of the Shares in issue at the date of approval of the Share Option Scheme. No Options may be granted under the Share Option Scheme or any other schemes if this will result in this overriding limit being exceeded.

(ii) Mandate Limit (the “Mandate Limit”)

Subject to the Overriding Limit and to paragraphs (15)(iii) and (15)(iv) below, the total number of Shares available for issue or transfer in satisfaction of all Options which may be granted under the Share Option Scheme and any other schemes of the Company must not, in aggregate, 10 per cent of the Shares in issue on the Adoption Date (expected to be 99,242,192 Shares), subject to an annual cap, renewable by shareholders of the Company. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Mandate Limit.

(iii) Refreshing of the Mandate Limit

Subject to the Overriding Limit and to paragraph (14)(iv), the Company may refresh the Mandate Limit at any time subject to approval by the shareholders of the Company. However, the Mandate Limit as refreshed must not exceed 10 per cent of the Shares in issue at the date of the aforesaid Shareholders’ approval (the “Refreshed Limit”) or such other limits imposed by the Stock Exchange.

Options previously granted or to be granted under the Share Option Scheme and any other schemes of the Company (including those outstanding, canceled, exercised or lapsed in accordance with such schemes) will not be counted for the purpose of calculating the Refreshed Limit.

(iv) Grant of Options Limit

Subject to the Overriding Limit, the Company may also seek separate approval by the shareholders of the Company for granting Options beyond the Mandate Limit provided that the Options in excess of the Mandate Limit are granted only to Participants specifically identified by the Company before such approval is sought.

(v) Limit for each Participant

The total number of Shares issued and to be issued upon exercise of Options granted and to be granted to each Grantee (including exercised and outstanding Options) in any twelve (12)-month period shall not exceed 1 per cent of the Shares in issue for the time being (the “Individual Limit”). Any further grant of Options in excess of the Individual Limit must be subject to approval by the shareholders of the Company with such Participant and his, her or its associates abstaining from voting. The number and terms (including the Subscription Price (if relevant)) of the Options to be granted to such Participant must be fixed before the date of the relevant shareholders’ meeting.

15. GRANT TO SUBSTANTIAL SHAREHOLDERS AND INDEPENDENT NON-EXECUTIVE DIRECTOR

Where any Offer proposed to be made to a substantial Shareholder or an independent non-executive Director of the Company or any of his, her or its associates would result in the total number of Shares issued and to be issued to satisfy Options already granted and to be granted to such person in the twelve (12) month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1 per cent of the Shares in issue at the date of such grant; and
- (ii) having an aggregate value, based on the closing price of the Shares at the Date of Grant, in excess of HK\$5 million, then such Offer and any acceptance thereof must be subject to approval of the Shareholders taken on a poll.

16. REORGANIZATION OF CAPITAL STRUCTURE

- (i) In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalization issue, rights issue, sub-division or consolidation of Shares or reduction of capital of the Company or otherwise howsoever, other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party, such corresponding alterations (if any) shall be made to:
 - (a) the number of nominal amount of Shares subject to outstanding Options; and/or
 - (b) the subscription price of each outstanding Option; and/or
 - (c) the method of exercise of the Option; and/or
 - (d) the Shares to which the Option relates or any combination thereof as the Company's independent financial adviser or the Auditors shall certify in writing to the Board to be in their opinion to be fair and reasonable, provided that no such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value in compliance with Chapter 17 of the Listing Rules, the supplemental guidance issued on September 5, 2005 by the Stock Exchange entitled "Supplemental Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the note immediately after the Rule" or which would change the proportion of the equity share capital for which any Grantee is entitled on Vesting of his Options and/or to subscribe pursuant to the Options held by him or her before such alteration.
- (ii) In respect of any such alterations, other than any made under a capitalization issue, the Company's independent financial adviser or the auditors shall also confirm to the Board in writing that such alterations satisfy the requirements of Rule 17.03(13) of the Listing Rules and the note thereto and the supplemental guidance issued on September 5, 2005 by the

Stock Exchange entitled “Supplemental Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the note immediately after the Rule” and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

- (iii) The capacity of the Company’s independent financial adviser or the Auditors in this paragraph (16) shall be that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees.

17. ALTERATION OF THE SCHEME

The Share Option Scheme may subject to the Listing Rules be altered in any respect by resolution of the Board except that those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of Participants and changes to the authority of the Board in relation to any alteration of the terms of this Share Option Scheme shall not be made, in either case, without the prior approval of shareholders of the Company and provided further that any alteration to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by the shareholders of the Company at a general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules, the supplemental guidance issued on September 5, 2005 by the Stock Exchange entitled “Supplemental Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the note immediately after the Rule” and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

18. TERMINATION

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered or granted and all offers of options then outstanding and not accepted shall ipso facto lapse but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options which are granted during the life of the Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall remain valid in accordance with their terms of issue after the termination of the Share Option Scheme.

The following are the details (as required by the Listing Rules) of the Directors, who will retire and, being eligible, offer themselves for re-election at the AGM.

Mr. Jimmy Lee Yuen Ching

Mr. Jimmy Lee Yuen Ching (“Mr. Jimmy Lee”), aged 61, is the Chairman of the Group and an executive Director. He received his university education in the United States and Canada. His initial experience in the watch industry was gained in his family’s watch business and he subsequently became a co-founder of the Group. He was responsible for the founding of the Group’s property division fifteen years ago and has been responsible for the management of the property division since that time.

There is no service contract between the Company and Mr. Jimmy Lee. He is currently entitled to receive a director’s fee of HK\$50,000 per annum, a monthly salary of HK\$230,000 and a discretionary bonus. His remuneration is subject to annual review by the Board and is determined with reference to his duties and responsibilities with the Company as well as the prevailing market conditions.

Mr. Jimmy Lee is a cousin of Mr. James Lee Yuen Kui, who is the Managing Director of the Company, Mr. Edward Lee Yuen Cheor, who is an executive Director of the Company, and Ms. Dorothy Lee Yuen Yu, who is a non-executive Director of the Company and the father of Mr. Loewe Lee Bon Chi, who is an executive Director of the Company. As at the Latest Practicable Date, he was interested in a total of 253,106,873 Shares (representing 25.50% of the total issued share capital of the Company) which are part of the property of a discretionary trust of which he and his family members including Mr. Loewe Lee Bon Chi are named beneficiaries.

During the three years preceding the Latest Practicable Date, Mr. Jimmy Lee did not hold any directorship in other listed companies. There is no information relating to Mr. Jimmy Lee that is required to be disclosed pursuant to Rule 13.51(2)(h) to (w) of the Listing Rules, and save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders of the Company in connection with the re-election of Mr. Jimmy Lee as Director of the Company.

Mr. Edward Lee Yuen Cheor

Mr. Edward Lee Yuen Cheor (“Mr. Edward Lee”), aged 50, joined the Group in 1981 and is an executive Director. He is currently responsible for the supervision in the properties development in Hong Kong.

There is no service contract between the Company and Mr. Edward Lee. He is currently entitled to receive a director’s fee of HK\$50,000 per annum, a monthly salary of HK\$85,000 and a discretionary bonus. His remuneration is subject to annual review by the Board and is determined with reference to his duties and responsibility with the Company as well as the prevailing market conditions.

Mr. Edward Lee is the brother of Mr. James Lee Yuen Kui, the Managing Director of the Company, and Ms. Dorothy Lee Yuen Yu, who is a non-executive Director of the Company. He is also

a cousin of Mr. Jimmy Lee, who is the Chairman of the Company and an uncle of Mr. Loewe Lee Bon Chi, who is an executive Director of the Company. As at the Latest Practicable Date, he was interested in a total of 252,102,979 Shares (representing 25.40% of the total issued share capital of the Company) which are part of the property of a discretionary trust of which each of himself and Mr. James Lee Yuen Kui are named beneficiaries.

During the three years preceding the Latest Practicable Date, Mr. Edward Lee did not hold any directorship in other listed companies. There is no information relating to Mr. Edward Lee that is required to be disclosed pursuant to Rules 13.51(2) (h) to (w) of the Listing Rules, and save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders of the Company in connection with the re-election of Mr. Edward Lee as Director of the Company.

Mr. Chan Kwok Wai

Mr. Chan Kwok Wai (“Mr. Chan”), aged 49, has been an independent non-executive Director of the Company since April 2005. Mr. Chan is a member of the Hong Kong Securities Institute and an associate member of CPA Australia. Mr. Chan is currently a director of High Progress Consultants Limited. He is also an independent non-executive Director of Junefield Department Store Group Limited, China Investments Holdings Limited, Tern Properties Company Limited, Chinese Estates Holdings Limited and Far East Consortium International Limited, the shares of all of which are listed on the Stock Exchange.

There is no service contract between the Company and Mr. Chan. He is currently entitled to receive a director’s fee of HK\$225,000 per annum which is subject to annual review by the Board and is determined with reference to his duties and responsibility with the Company as well as the prevailing market conditions. Mr. Chan is not entitled to receive any bonus.

Mr. Chan does not have any relationship with any other Director, senior management, substantial or controlling Shareholder of the Company. As at the latest Practicable Date, he has no interest in the Shares of the Company.

There is no information relating to Mr. Chan that is required to be disclosed pursuant to Rules 13.51(2)(h) to (w) of the Listing Rules, and save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders of the Company in connection with the re-election of Mr. Chan as Director of the Company.

NOTICE OF ANNUAL GENERAL MEETING

NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

NOTICE IS HEREBY GIVEN THAT the annual general meeting of National Electronics Holdings Limited (the “Company”) will be held on Wednesday, 20 August 2008 at 10:00 a.m. at Pheasant & Jasmine Room, 1/F., Mandarin Oriental, 5 Connaught Road, Central, Hong Kong for the following purposes:

1. To receive and consider the audited consolidated financial statements and reports of the directors and auditors of the Company for the year ended 31 March 2008;
2. To consider and if thought fit approve the payment of a final dividend recommended by the board of directors for the year ended 31 March 2008;
3. To consider and if thought fit approve the re-election of Mr. Jimmy Lee Yuen Ching as an executive Director of the Company;
4. To consider and if thought fit approve the re-election of Mr. Edward Lee Yuen Cheor as an executive Director of the Company;
5. To consider and if thought fit approve the re-election of Mr. Chan Kwok Wai as an independent non-executive Director of the Company;
6. To determine the directors’ remuneration for their services in an aggregate sum of not exceeding HK\$1,500,000; and
7. To consider and if thought fit approve re-appointment of HLB Hodgson Impey Cheng as auditors of the Company and to authorize the board of directors to fix their remuneration.

As special business to consider and, if thought fit, pass with or without modification the following resolutions which will be proposed as ordinary resolutions of the Company:

8. **“THAT**
 - (a) subject to paragraph (c) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange, be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the approval in paragraph (a) above shall be in addition to any other authorization given to the Directors and shall authorize the Directors on behalf of the Company during the Relevant Period to purchase its shares at a price determined by the Directors;
- (c) the aggregate nominal amount of share capital of the Company purchased or agreed conditionally or unconditionally to be purchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution; and
- (d) for the purpose of this resolution,

“Relevant Period” means the period from the time of passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company following the passing of this resolution at which time it shall lapse unless, by ordinary resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or
- (ii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; or
- (iii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held.

9. “THAT

- (a) subject to paragraph (c) below and subject to the consent of the Bermuda Monetary Authority, where applicable, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares in the share capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers during or after the end of the Relevant Period;

NOTICE OF ANNUAL GENERAL MEETING

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraphs (a) and (b) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of rights of subscription or conversion under the terms of any warrants or other securities which may be issued by the Company carrying a right to subscribe for or purchase shares of the Company; or (iii) the exercise of any option granted under any share option scheme adopted by the Company; or (iv) an issue of shares in lieu of the whole or part of a dividend on shares pursuant to any scrip dividend or other similar scheme implemented in accordance with the bye-laws of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution; and

(d) for the purpose of this resolution,

“Relevant Period” means the period from the time of passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company following the passing of this resolution at which time it shall lapse unless, by ordinary resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or
- (ii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; or
- (iii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held.

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares of the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognized regulatory body or any stock exchange);

10. “**THAT** conditional upon the passing of the ordinary resolutions numbered no. 8 and 9 in the notice convening this annual general meeting of the Company, the aggregate nominal amount of the share capital of the Company which are purchased by the Company pursuant to and in accordance with the said ordinary resolution no. 8 shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted and agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to and in accordance with ordinary resolution no. 9 as set out in the notice of the annual general meeting of the Company provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution.”

NOTICE OF ANNUAL GENERAL MEETING

11. “**THAT** the Share Option Scheme of the Company be and is hereby approved and adopted.”

By Order of the Board
Yue Man Ying
Company Secretary

Hong Kong, 29 July 2008

Executive Directors:

Jimmy Lee Yuen Ching
James Lee Yuen Kui
Loewe Lee Bon Chi
Edward Lee Yuen Cheor
Ricky Wai Kwong Yuen

Non-Executive Director:

Dorathy Lee Yuen Yu

Independent non-Executive Directors:

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

Notes:

- (1) Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. Votes may be given either personally or by duly authorized corporate representative or by proxy. A member who is the holder of two or more Shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized.
- (3) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's principal place of business in Hong Kong at Suite 3201, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong not less than forty-eight hours before the time for holding the meeting or adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or upon the poll concerned.

NOTICE OF ANNUAL GENERAL MEETING

- (4) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
- (5) Any corporation which is a member of the Company may, by resolutions of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company.