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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a 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, together with the enclosed election form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this circular or any of its contents.

NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

Executive Directors:

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

Non-Executive Director:

Ms. Dorathy Lee Yuen Yu

Independent Non-Executive Directors:

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

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11 Pedder Street
Central
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30 August 2011

To the Shareholders

Dear Sir or Madam,

SCRIP DIVIDEND SCHEME IN RELATION TO THE FINAL DIVIDEND FOR THE YEAR ENDED 31 MARCH 2011

1. DETAILS OF THE SCRIP DIVIDEND SCHEME

1.1 Introduction

On 27 June 2011, it was announced that the board of directors (the “**Board**”) of National Electronics Holdings Limited (the “**Company**”) had recommended a final dividend of HK\$0.04

per share of the Company (the “**Share(s)**”) for the year ended 31 March 2011 (the “**Final Dividend**”) payable to the shareholders of the Company (the “**Shareholder(s)**”) whose names appeared on the register of members of the Company as at 22 August 2011 (the “**Record Date**”). The Final Dividend has been approved at the annual general meeting of the Company held on 11 August 2011 and will be paid in cash, with an option to elect to receive newly issued Shares (the “**New Shares**”) in lieu of all or part of the cash dividend, to the Shareholders (the “**Scrip Dividend Scheme**”).

Under the Scrip Dividend Scheme, each Shareholder has the following choices in receiving the Final Dividend:-

- (a) in cash of HK\$0.04 per Share; or
- (b) by way of an allotment of New Shares at the Market Value (as set out below) equal to the total amount of the Final Dividend that such Shareholder would otherwise be entitled to receive in cash; or
- (c) partly in cash or partly in New Shares.

The Scrip Dividend Scheme will give the Shareholders an opportunity to increase their investment in the Company at market value without incurring brokerage fees, stamp duty and related dealing costs. It will also benefit the Company to the extent that cash which would otherwise have been paid to the Shareholders who elect to receive the New Shares, in whole or in part in lieu of cash dividend, will be retained for use as working capital of the Company.

For the purpose of determining Shareholders who qualify for the Final Dividend, the register of members of the Company was closed from Thursday, 18 August 2011 to Monday, 22 August 2011 (both days inclusive). The last date on which transfers were accepted for registration for participation in the Scrip Dividend Scheme was 4:30 p.m., Wednesday, 17 August 2011.

1.2 Market Value

For the purpose of calculating the number of New Shares to be allotted to the Shareholders under the Scrip Dividend Scheme, the market value of a New Share is calculated as the average of the closing prices of the existing Shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the five consecutive trading days prior to and including 22 August 2011, which is HK\$0.784 per Share (the “**Market Value**”).

1.3 Basis of Allotment of New Shares

The number of New Shares which a Shareholder will receive in respect of the Final Dividend, if he/she has elected to receive the New Shares, will be calculated as follows:-

$$\begin{array}{l} \text{Number of New} \\ \text{Shares to be} \\ \text{received (round} \\ \text{down to the nearest} \\ \text{whole number)} \end{array} = \begin{array}{l} \text{Number of existing} \\ \text{Shares held on the} \\ \text{Record Date for which} \\ \text{election for New Shares} \\ \text{is made} \end{array} \times \frac{\text{HK\$0.04 (Final Dividend per Share)}}{\text{HK\$0.784 (Market Value)}}$$

The number of New Shares to be received pursuant to each Shareholder's election will be rounded down to the nearest whole number. Fractional entitlements to the New Shares will not be allotted but will be aggregated and sold for the benefit of the Company. If a Shareholder elects to receive the maximum number of New Shares in lieu of his cash dividend, a residual cash dividend entitlement may arise, representing the difference between the total cash equivalent of the New Shares based on the Market Value to be issued to you and the maximum cash dividend available in respect of your shareholding. The residual cash dividend will be disregarded and the benefit thereof will accrue to the Company. The New Shares issued in respect of the Final Dividend will, on issue, rank *pari passu* in all respects with the existing issued Shares except that such New Shares themselves will not rank for the Final Dividend.

Based on 964,461,928 Shares in issue on the Record Date, if all the Shareholders choose to receive New Shares instead of cash in respect of the Final Dividend, the Company will issue approximately 49,207,241 New Shares, an increase of approximately 5.1% of the existing issued share capital of the Company. If no Shareholder elects to receive his entitlement in the form of New Shares, the total cash dividend payable by the Company in respect of the Final Dividend would be approximately HK\$38.6 million.

A Shareholder may elect to receive New Shares in respect of all or part of his holding of Shares. If a Shareholder chooses to take only part of his dividend as New Shares, the Shareholder will receive the balance of his Final Dividend in cash.

2. CONDITION OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares to be issued in respect of the Final Dividend. If this condition is not satisfied, the Scrip Dividend Scheme described in this circular will not become effective, the Election Forms (as defined below) will be void and the Final Dividend will then be paid wholly in cash.

3. LISTING AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, the New Shares. It is expected that share certificates for the New Shares and/or dividend warrants for cash entitlements will be sent to the Shareholders by ordinary mail at the risk of those entitled thereto on or around Monday, 26 September 2011.

Dealing of the New Shares on the Stock Exchange is expected to commence on Thursday, 29 September 2011. The Shares are listed and dealt in on the Stock Exchange. There is no other stock exchange on which the Company's securities are listed or dealt in or on which listing or permission to deal is being or proposed to be sought.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in the Central Clearing and Settlement System. You should seek the advice of your stockbroker or other professional advisor for details of these settlement arrangements and how such settlement arrangements will affect your rights and interests.

4. ACTION TO BE TAKEN

An election form (the “**Election Form**”) is enclosed with this circular for use by the Shareholders (except for those Shareholders with registered addresses in the United States) who wish to receive the Final Dividend wholly in New Shares or partly in cash and partly in New Shares. Please read carefully the instructions below and the instructions printed on the Election Form.

4.1 Final Dividend Election

(a) To receive cash only

If you wish to receive the Final Dividend wholly in cash, you do not need to take any action and DO NOT need to return the Election Form.

(b) To receive New Shares only

If you wish to receive the Final Dividend in New Shares only, you should SIGN, DATE and RETURN the Election Form.

(c) To receive cash and New Shares

If you wish to receive the Final Dividend partly in cash and partly in New Shares, you should ENTER in Box C of the Election Form the number of Shares registered in your name on the Record Date for which you require the Final Dividend to be paid in New Shares. Then SIGN, DATE and RETURN the Election Form.

If you do not specify the number of Shares in respect of which you wish to receive New Shares or if your specified number is greater than your registered holding on the Record Date, you will be deemed to have elected to receive New Shares only in respect of ALL the Shares registered in your name on the Record Date. You will receive the Final Dividend in New Shares only.

4.2 How and when to return your Election Form

If you need to return an Election Form, you must complete it in accordance with the instructions printed thereon and return the same as soon as possible to the Company’s Branch Share Registrar in Hong Kong, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong so as to arrive **no later than 4:30 p.m. on Friday, 16 September 2011**.

The latest time for submission of the Election Forms will not be valid if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:-

- (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Friday, 16 September 2011. Instead the deadline for the submission of the Election Forms will be 5:00 p.m. on the same business day; or
- (b) in force in Hong Kong at any local time between 12:00 noon and 4:30 p.m. on Friday, 16 September 2011. Instead the deadline for the submission of the Election Forms will be rescheduled to 4:30 p.m. on the next business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:30 p.m.

Failure to complete and return the Election Form in accordance with the instructions printed thereon will result in the relevant Shareholder's Final Dividend being paid wholly in the form of cash.

No acknowledgement of receipt of the Election Form will be issued. No elections in respect of the Final Dividend may, after the relevant Election Forms are signed and returned to the Company's Branch Share Registrar in Hong Kong, be in any way withdrawn, revoked, superseded or altered.

5. OVERSEAS SHAREHOLDERS

The participation in the Scrip Dividend Scheme by Shareholders with registered address outside Hong Kong (the "**Overseas Shareholders**") may be regulated by the laws of their relevant jurisdictions.

The Company has made enquiries in relevant jurisdictions regarding the feasibility of extending the Scrip Dividend Scheme to Shareholders with registered addresses outside Hong Kong and related legal and regulatory restrictions and requirements. Since registration or filing or other procedures or formalities, subject to certain exceptions, would need to be carried out in relation to the Scrip Dividend Scheme to comply with the relevant securities legislation or regulation in the United States, the Directors have formed the view that it would be expedient to exclude Shareholders with registered addresses in the United States from the Scrip Dividend Scheme. Therefore, this circular and the Election Form will not be sent to such Shareholders. Shareholders with registered addresses in the United States will receive the Final Dividend in cash.

All other Overseas Shareholders receiving this circular and/or Election Form outside Hong Kong may not treat the same as an invitation to participate in the Scrip Dividend Scheme unless such invitation could lawfully be made to them without having to comply with any registration or other legal requirements in the relevant territory. In such circumstances, this circular and the Election Form will be deemed to have been sent for information purposes only. Overseas Shareholders should inform themselves about and observe any applicable restrictions and should consult their professional advisers as to whether any governmental or other consents are required or other formalities need to be observed to enable them to participate in the Scrip Dividend Scheme.

This circular and the Election Form do not constitute or form part of an offer or solicitation of any offer to buy securities of the Company, and the Election Form is not transferable. Overseas Shareholders who are in any doubt as to their position should consult their own appropriately authorized professional advisers without delay.

6. GENERAL

New Shares issued to Shareholders pursuant to an election to receive some or all of their Final Dividend in New Shares may be allocated in odd lots (of fewer than a board lot of 2,000 Shares). No special dealing arrangements will be put in place by the Company to facilitate the trading or disposal of New Shares to be issued in odd lots. Shareholders should be aware that odd lots usually trade at a discount to the price of board lots.

Whether or not it is to your advantage to receive cash or New Shares, in whole or in part, in respect of the Final Dividend will depend upon your own individual circumstances, and the decision in this regard and all effects resulting therefrom are solely your responsibility and the Company does not accept any responsibility for your decision. If you are in doubt as to what to do, you should consult your professional advisers. Shareholders who are trustees are recommended to seek professional advice as to whether the election of New Shares is within their powers and its effect having regard to the terms of the relevant trust instrument.

7. EXPECTED TIMETABLE

<u>Event</u>	<u>Date</u>
Latest time for the return of the completed Election Form to the Company's Branch Share Registrar ^(Note)	4:30 p.m., Friday, 16 September 2011
Despatch of dividend warrants and/or share certificates for New Shares	on or about Monday, 26 September 2011
Expected first day of dealings in the New Shares	on or about Thursday, 29 September 2011

Note: If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force at or at any time prior to 4:30 p.m. on Friday, 16 September 2011, the closing time for returning the Election Form will be extended. Further information is set out in paragraph 4.2 of this circular.

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