

## CHAIRMAN'S STATEMENT

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### Results

The Board of Directors of National Electronics Holdings Limited (the "Company") is pleased to announce that the audited consolidated profit after taxation of the Company and its subsidiaries (together, the "Group") for the year ended 31st March, 2006 was HK\$60,104,762 (2005 – HK\$57,672,762). The earnings per share of the Company for the year ended 31st March, 2006 was 5.5 HK cents per share (2005 – 5.2 HK cents per share).

The Group's turnover for the year ended 31st March, 2006 amounted to HK\$1,045,505,970 (2005 – HK\$1,026,973,336).

### Final Dividends

The Board of Directors recommends a final dividend of 1.5 HK cents per share for the financial year ended 31st March, 2006 (2005 – 0.5 HK cent).

### Business Review

#### WATCHES AND WATCH COMPONENTS

During the year under review, the performance of the Group's watch manufacturing division, especially for the second half of this financial year, was below our initial expectation. The rising U.S. interest rate and high oil prices have started to adversely affect our U.S. business. The profit margin was further eroded by the increasing material cost resulting from high commodity prices. Due to the above, the Group was unable to improve the performance of its watch components trading business in the previous year.

#### PROPERTY DEVELOPMENT AND INVESTMENT

During the year under review, the construction work of the Group's residential development project in Toronto, One St. Thomas, was in progress and the building will be topped off in August this year.



*Elegant multifunction watch.*

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The redevelopment work at 202 - 206 Queen's Road Central, Hong Kong to build a 26 single floor unit luxury boutique hotel is on schedule.

On 30th March 2006, the Group had disposed 80% of the interest in its subsidiary, which held the site at 137-138 Connaught Road West, Hong Kong with satisfactory profit. The site will be developed into a luxury boutique hotel. The project is expected to be completed by the end of 2008.

The Group has revalued its investment properties in accordance with HKAS 40 "Investment Property", which has increased by HK\$16,000,000 in fair value. Such amount was recognised directly in the profit for the financial year under review.



*World renowned architect Mr. Robert A.M. Stern working on our One St. Thomas Project.*

### Prospects

#### WATCHES AND WATCH COMPONENTS

For the watch manufacturing division, the Group is cautious with its U.S. business and intends to further diversify its product distribution and implement tighter internal control in order to reduce overhead and other costs.

With the introduction of a new range of "complication" watch movements from our Japanese suppliers, the Group expects its watch components trading division's performance to improve in the coming year.

#### PROPERTY DEVELOPMENT AND INVESTMENT

##### *Overseas*

The Group expects the first occupancy of its project in Canada, One St. Thomas to commence by early 2007. With the building being occupied in phases, full occupancy is expected by the end of 2007.

##### *Local*

Further to the announcement made on 6th April 2006, the Group entered into a disposal agreement with CPI Asia to sell 80% of the interest in its subsidiary, which held the project at 202 - 206 Queen's Road Central, Hong Kong. The transaction was completed on 8th May, 2006 and the result is satisfactory.

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Further to the Group's announcement on 23rd May, 2006, the Group has disposed two commercial units at Lippo Centre, Queensway, Hong Kong for a consideration of HK\$39.96 million and the result is satisfactory.

The Group intends to continue its strategy of expanding its land bank at desirable locations with good value. In light of that, the Group has made the following acquisitions:

- On 11th April, 2006, the Group had entered into a sale and purchase agreement to purchase a 24-storey composite building with retail shop on ground floor and residential units on upper floors at No. 21 Whitfield Road, Causeway Bay, Hong Kong for a consideration of HK\$78 million.
- On 10th June, 2006, the Group had entered into a sale and purchase agreement to purchase a 14-storey commercial building at 194 - 196 Queen's Road Central, Hong Kong with retail shops on the ground floor and office units on the upper floors at a consideration of HK\$56.5 million.

The Board announced that in March 2006, Mr. Tam Hok Lam, Tommy has resigned as an executive director of the Company. The Board would like to express its appreciation for Mr. Tam's contribution to the Company during his term of employment in the Company.

The Board of Directors also welcomes Mr. Wai Kwong Yuen, Ricky who was appointed as executive director of the Company in May 2006.



*Fashionable sports watch.*

Finally, on behalf of the Board of Directors, I would like to thank all the staff of the Group for their loyalty and dedication during the previous year.

By Order of the Board

**Lee Yuen Ching Jimmy**  
*Chairman*

Hong Kong, 11th July, 2006