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NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

RESULTS

The board (the “Board”) of directors (the “Directors”) of National Electronics Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2020 and the audited consolidated statement of financial position as at 31 March 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2020

	NOTES	2020 HK\$	2019 HK\$
Revenue	3	673,878,931	881,447,549
Cost of sales		(559,852,777)	(720,504,459)
Gross profit		114,026,154	160,943,090
Other income and gains	4	64,360,204	28,872,201
Increase in fair value of investment properties		138,831,295	415,178,334
Distribution costs		(8,725,925)	(9,639,238)
Administrative expenses		(142,780,411)	(201,071,032)
Finance costs	5	(115,362,915)	(90,375,429)
Share of results of associates		(62,374)	(86,694)
Share of results of joint ventures		73,452,208	(3,910,784)
Profit before taxation	6	123,738,236	299,910,448
Income tax expense	7	(2,952,154)	(78,084,669)
Profit for the year		120,786,082	221,825,779
Profit for the year attributable to:			
– Owners of the Company		120,824,879	221,825,779
– Non-controlling interests		(38,797)	—
		120,786,082	221,825,779
Earnings per share	8		
Basic		12.0 HK cents	21.7 HK cents
Diluted		12.0 HK cents	21.7 HK cents
Dividend per share			
– Final dividend (2019: final dividend and special cash dividend) proposed after the end of the reporting period	12	3.0 HK cents	4.0 HK cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	2020 HK\$	2019 HK\$
Profit for the year	<u>120,786,082</u>	<u>221,825,779</u>
Other comprehensive (expense)/income		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit obligation	<u>(817,619)</u>	<u>339,545</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations	(45,230,536)	(19,522,457)
Fair value loss on other assets at fair value through other comprehensive income	<u>(3,465,000)</u>	<u>(1,650,000)</u>
	<u>(48,695,536)</u>	<u>(21,172,457)</u>
Other comprehensive expense for the year	<u>(49,513,155)</u>	<u>(20,832,912)</u>
Total comprehensive income for the year	<u><u>71,272,927</u></u>	<u><u>200,992,867</u></u>
Total comprehensive income/(expense) attributable to:		
– Owners of the Company	71,311,724	200,992,867
– Non-controlling interests	<u>(38,797)</u>	<u>—</u>
	<u><u>71,272,927</u></u>	<u><u>200,992,867</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	<i>NOTES</i>	2020 HK\$	2019 HK\$
Non-current assets			
Investment properties		3,500,552,300	3,816,951,052
Property, plant and equipment		70,193,690	450,506,420
Prepaid lease payments		—	2,505,354
Right-of-use assets		291,481,258	—
Goodwill		1,269,932	1,269,932
Interests in associates		7,327,300	7,389,666
Interests in joint ventures		388,520,440	366,222,526
Other assets at fair value through other comprehensive income		21,085,000	24,550,000
Debt instruments at amortised cost		3,081,360	3,173,350
Deferred tax assets		3,259,366	6,498,562
		<u>4,286,770,646</u>	<u>4,679,066,862</u>
Current assets			
Inventories		150,511,981	132,109,337
Prepaid lease payments		—	67,965
Financial assets at fair value through profit or loss		231,738,185	191,926,464
Inventory of unsold properties		5,754,819	6,032,957
Properties under development for sale		1,187,978,340	881,054,373
Bills receivables	9	—	337,626
Trade receivables, deposits and prepayments	10	152,507,658	140,424,430
Amount due from an associate		3,994,569	—
Amount due from a joint venture		48,370,422	43,496,822
Tax recoverable		351,548	2,859,393
Bank balances and cash		1,089,739,974	811,798,033
		<u>2,870,947,496</u>	<u>2,210,107,400</u>

	<i>NOTES</i>	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Current liabilities			
Trade and bills payables	11	46,687,495	88,182,873
Customers' deposits		271,920,455	220,921,007
Accrued expenses and other payables		140,488,879	147,502,527
Amount due to an associate		4,555,148	4,555,148
Amount due to a joint venture		75,045,706	—
Tax payable		45,682,424	8,099,075
Derivative financial instruments		2,554,763	1,872,974
Lease liabilities		21,432,083	—
Obligations under finance leases		—	4,311,029
Bank loans		<u>1,167,268,027</u>	<u>673,701,551</u>
		<u>1,775,634,980</u>	<u>1,149,146,184</u>
Net current assets		<u>1,095,312,516</u>	<u>1,060,961,216</u>
Total assets less current liabilities		<u><u>5,382,083,162</u></u>	<u><u>5,740,028,078</u></u>
Capital and reserves			
Share capital		99,775,896	101,658,496
Reserves		<u>2,301,959,833</u>	<u>2,272,687,218</u>
Equity attributable to owners of the Company		2,401,735,729	2,374,345,714
Non-controlling interests		<u>1,540,292</u>	—
Total equity		<u>2,403,276,021</u>	<u>2,374,345,714</u>
Non-current liabilities			
Provision for long service payments		3,321,682	2,654,254
Lease liabilities		14,420,902	—
Obligations under finance leases		—	11,898,761
Bank loans		2,858,004,721	3,201,974,212
Deferred tax liabilities		<u>103,059,836</u>	<u>149,155,137</u>
		<u>2,978,807,141</u>	<u>3,365,682,364</u>
		<u><u>5,382,083,162</u></u>	<u><u>5,740,028,078</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycles

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 *Leases* (“HKFRS 16”)

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* (“HKAS 17”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.6%.

	Notes	At 1 April 2019 HK\$
Operating lease commitments disclosed as at 31 March 2019		49,420,717
Less: Practical expedient – leases with lease term ending within 12 months from the date of initial application		<u>(900,040)</u>
		48,520,677
Less: Lease liabilities discounted at relevant incremental borrowing rates		<u>(6,119,963)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		42,400,714
Add: Obligations under finance leases recognised at 31 March 2019	(a)	<u>16,209,790</u>
Lease liabilities as at 1 April 2019		<u><u>58,610,504</u></u>
Analysed as:		
Current		22,602,058
Non-current		<u>36,008,446</u>
		<u><u>58,610,504</u></u>

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	<i>Notes</i>	Right-of-use assets <i>HK\$</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		42,400,714
Reclassified from prepaid lease payments	(b)	2,573,319
Reclassified from property, plant and equipment	(c)	257,325,564
Amounts included in property, plant and equipment under HKAS 17		
– Assets previously under obligations under finance leases	(a)	<u>20,899,350</u>
		<u><u>323,198,947</u></u>

Notes:

- (a) In relation to assets previously under obligations under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK\$20,899,350 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK\$4,311,029 and HK\$11,898,761 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.
- (b) Upfront payments for leasehold land in the People's Republic of China were classified as prepaid land lease payments as at 31 March 2019. Upon application of HKFRS 16, the prepaid land lease payments amounting to HK\$2,573,319 was reclassified to right-of-use assets. There were no ongoing payment obligations under the terms of the land lease, therefore, no lease liabilities were recognised at the date of initial application of HKFRS 16.
- (c) Leasehold land in Hong Kong was classified as property, plant and equipment as at 31 March 2019. Upon application of HKFRS 16, the leasehold land in Hong Kong amounting to HK\$257,325,564 was reclassified to right-of-use assets. There were no ongoing payment obligations under the terms of the land lease, therefore, no lease liabilities were recognised at the date of initial application of HKFRS 16.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 April 2019. However, effective 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 HK\$	Adjustments HK\$	Carrying amounts under HKFRS 16 at 1 April 2019 HK\$
Non-current assets			
Property, plant and equipment	450,506,420	(278,224,914)	172,281,506
Prepaid lease payments	2,505,354	(2,505,354)	—
Right-of-use assets	—	323,198,947	323,198,947
Current assets			
Prepaid lease payments	67,965	(67,965)	—
Current liabilities			
Lease liabilities	—	22,602,058	22,602,058
Obligations under finance leases	4,311,029	(4,311,029)	—
Non-current liabilities			
Lease liabilities	—	36,008,446	36,008,446
Obligations under finance leases	11,898,761	(11,898,761)	—

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 16	COVID-19-Related Rent Concessions ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRSs*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the adoption of new and amendments to HKFRSs will have no material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue from its major products and services:

	2020 HK\$	2019 <i>HK\$</i>
Revenue from contracts with customers within the scope of HKFRS 15, disaggregated by products or services		
Watches and watch movements	<u>587,183,400</u>	<u>740,137,503</u>
Revenue from contracts with customers	587,183,400	740,137,503
Leasing of properties	2,483,374	5,066,189
Hotel operation	<u>84,212,157</u>	<u>136,243,857</u>
	<u>673,878,931</u>	<u>881,447,549</u>

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Manufacture of watches and trading of watch movements – manufacture, assembly and sale of electronic watches and watch parts, trading of watch movements and watch parts.
2. Property development and investment – development and sale of properties and holding of properties for investment and leasing purposes.
3. Hotel operation – management and operation of hotels.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended 31 March 2020

	Manufacture of watches and trading of watch movements <i>HK\$</i>	Property development and investment <i>HK\$</i>	Hotel operation <i>HK\$</i>	Consolidated <i>HK\$</i>
REVENUE				
External sales	<u>587,183,400</u>	<u>2,483,374</u>	<u>84,212,157</u>	<u>673,878,931</u>
RESULT				
Segment result	<u>3,920,388</u>	<u>136,581,200</u>	<u>36,498,711</u>	177,000,299
Bank interest income				12,477,728
Unallocated other income				30,993,382
Unallocated other expenses				(54,760,092)
Finance costs				(115,362,915)
Share of results of associates				(62,374)
Share of results of joint ventures				<u>73,452,208</u>
Profit before taxation				123,738,236
Income tax expense				<u>(2,952,154)</u>
Profit for the year				<u>120,786,082</u>

For the year ended 31 March 2019

	Manufacture of watches and trading of watch movements <i>HK\$</i>	Property development and investment <i>HK\$</i>	Hotel operation <i>HK\$</i>	Consolidated <i>HK\$</i>
REVENUE				
External sales	<u>740,137,503</u>	<u>5,066,189</u>	<u>136,243,857</u>	<u>881,447,549</u>
RESULT				
Segment result	<u>5,084,020</u>	<u>325,467,805</u>	<u>78,732,449</u>	409,284,274
Bank interest income				6,151,362
Unallocated other income				20,418,345
Unallocated other expenses				(41,570,626)
Finance costs				(90,375,429)
Share of result of an associate				(86,694)
Share of results of joint ventures				<u>(3,910,784)</u>
Profit before taxation				299,910,448
Income tax expense				<u>(78,084,669)</u>
Profit for the year				<u>221,825,779</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit earned by each segment without allocation of central administration costs, share of results of associates and joint ventures, other income and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

Segment assets

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Manufacture of watches and trading of watch movements	248,555,276	264,453,013
Property development and investment	2,674,742,885	2,601,107,879
Hotel operation	2,094,673,994	2,093,796,674
Total segment assets	5,017,972,155	4,959,357,566
Interests in associates	7,327,300	7,389,666
Interests in joint ventures	388,520,440	366,222,526
Amount due from an associate	3,994,569	—
Amount due from a joint venture	48,370,422	43,496,822
Unallocated	1,691,533,256	1,512,707,682
Consolidated assets	7,157,718,142	6,889,174,262

Segment liabilities

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Manufacture of watches and trading of watch movements	72,967,881	100,519,741
Property development and investment	361,935,057	333,994,481
Hotel operation	12,260,347	15,135,087
Total segment liabilities	447,163,285	449,649,309
Amount due to an associate	4,555,148	4,555,148
Amount due to a joint venture	75,045,706	—
Unallocated	4,227,677,982	4,060,624,091
Consolidated liabilities	4,754,442,121	4,514,828,548

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates and joint ventures, amount due from an associate and a joint venture, other assets at fair value through other comprehensive income, debt instruments at amortised cost, deferred tax assets, financial assets at fair value through profit or loss, tax recoverable, bank balances and cash, and other unallocated corporate assets; and
- all liabilities are allocated to operating segments other than amount due to an associate and a joint venture, tax payable, bank loans, deferred tax liabilities and other unallocated corporate liabilities.

Other segment information

For the year ended 31 March 2020

	Manufacture of watches and trading of watch movements <i>HK\$</i>	Property development and investment <i>HK\$</i>	Hotel operation <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Capital additions	2,686,643	103,272,583	7,604,235	3,143,110	116,706,571
Depreciation of property, plant and equipment	5,080,762	3,475,022	3,195,169	4,785,098	16,536,051
Depreciation of right-of-use assets	9,244,799	33,983	1,384,215	18,360,645	29,023,642
Write-down of inventories	224,365	—	—	—	224,365
Increase/(Decrease) in fair value of investment properties	—	140,482,087	(1,650,792)	—	138,831,295
Gain on disposal of property, plant and equipment	—	19,607,245	—	598,260	20,205,505
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 March 2019

	Manufacture of watches and trading of watch movements <i>HK\$</i>	Property development and investment <i>HK\$</i>	Hotel operation <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Capital additions	5,065,018	101,755,760	3,831,703	2,059,394	112,711,875
Depreciation of property, plant and equipment	7,467,238	4,450,275	2,405,832	13,732,413	28,055,758
Amortisation of prepaid lease payments	67,965	—	—	—	67,965
Reversal of write-down of inventories	(2,299,244)	—	—	—	(2,299,244)
Increase in fair value of investment properties	—	314,178,334	101,000,000	—	415,178,334
Gain on disposal of property, plant and equipment	<u>1,119,533</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,119,533</u>

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Watches and watch movements	587,183,400	740,137,503
Leasing of properties	2,483,374	5,066,189
Hotel operation	84,212,157	136,243,857
	<u>673,878,931</u>	<u>881,447,549</u>

Geographical information

The Group's main operations are located in Hong Kong and other regions in the People's Republic of China (the "PRC"), North America and Europe.

Information about the Group's revenue from external customers is presented based on the geographical location of the customers. Information about the Group's non-current assets is presented based on the geographical location of assets.

	Revenue from external customers		Non-current assets	
	2020 HK\$	2019 HK\$	2020 HK\$	2019 HK\$
Hong Kong and the PRC	658,945,460	856,223,766	3,809,083,425	3,927,054,873
North America	2,996,677	7,403,954	380,092,485	665,376,354
Europe	11,323,172	12,732,569	51,788,210	52,413,723
Others	613,622	5,087,260	18,380,800	—
	673,878,931	881,447,549	4,259,344,920	4,644,844,950

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2020 HK\$	2019 HK\$
Customer A ¹	218,590,812	187,236,938
Customer B ¹	83,430,065	149,173,132

¹ Revenue from manufacture of watches and trading of watch movements.

4. OTHER INCOME AND GAINS

	2020 HK\$	2019 HK\$
Bank interest income	12,477,728	6,151,362
Interest income from debt instruments at amortised cost	97,948	99,110
Gain on fair value changes of financial assets at fair value through profit or loss	21,136,861	19,928,291
Gain on disposal of investment properties	7,640,303	—
Gain on disposal of property, plant and equipment	20,205,505	1,119,533
Sundry income	2,801,859	1,573,905
	<u>64,360,204</u>	<u>28,872,201</u>

5. FINANCE COSTS

	2020 HK\$	2019 HK\$
Interest on:		
Bank loans and overdrafts	157,080,673	125,527,336
Lease liabilities	2,548,798	—
Obligations under finance leases	—	811,974
	<u>159,629,471</u>	<u>126,339,310</u>
Total borrowing costs	159,629,471	126,339,310
Less: Amounts capitalised to investment properties and properties under development	<u>(44,266,556)</u>	<u>(35,963,881)</u>
	<u>115,362,915</u>	<u>90,375,429</u>

6. PROFIT BEFORE TAXATION

	2020 HK\$	2019 HK\$
Profit before taxation has been arrived at after charging/(crediting):		
Staff costs including directors' emoluments	105,571,049	127,937,783
Depreciation of property, plant and equipment	16,536,051	28,055,758
Depreciation of right-of-use assets	29,023,642	—
Amortisation of prepaid lease payments	—	67,965
Auditors' remuneration	3,040,827	3,093,611
Cost of inventories recognised as an expense	549,079,382	694,061,791
Impairment loss reversed in respect of trade receivables (included in administrative expenses on consolidated statement of profit or loss)	—	(5,152)
Net foreign exchange loss	24,775,929	8,984,705
Loss on fair value changes of derivative financial instruments	955,047	2,516,394
Minimum lease payments for operating leases in respect of land and buildings	—	14,915,263
Expenses relating to short-term leases	1,210,679	—
Write-down/(Reversal of write-down) of inventories (included in cost of sales on consolidated statement of profit or loss)	224,365	(2,299,244)
Gross rental income from investment properties	(86,695,531)	(141,310,046)
Less: Outgoings	18,023,598	21,973,744
Net rental income from investment properties	<u>(68,671,933)</u>	<u>(119,336,302)</u>

7. INCOME TAX EXPENSE

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Hong Kong Profits Tax		
Current year	433,972	224,551
Over provision in prior years	<u>(4,646,226)</u>	<u>(427,550)</u>
	<u>(4,212,254)</u>	<u>(202,999)</u>
Other jurisdictions		
Current year	1,910,439	92,978
Over provision in prior years	<u>(5,935)</u>	<u>(2,824,275)</u>
	<u>1,904,504</u>	<u>(2,731,297)</u>
Deferred tax		
Current year	<u>5,259,904</u>	<u>81,018,965</u>
	<u><u>2,952,154</u></u>	<u><u>78,084,669</u></u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	<u>120,824,879</u>	<u>221,825,779</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,010,217,164</u>	<u>1,022,762,546</u>

No diluted earnings per share is presented for both years as there were no potential ordinary shares in issue.

9. BILLS RECEIVABLES

As at 31 March 2020, there is no bills receivable (2019: HK\$337,626 which are aged within 30 days).

10. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Trade receivables	31,300,289	74,411,203
Less: allowance for credit losses	<u>(14,546,003)</u>	<u>(15,380,000)</u>
	16,754,286	59,031,203
Deposits and prepayments	101,762,027	48,764,513
Advance payment to suppliers	2,766,209	3,363,294
Other receivables	<u>31,225,136</u>	<u>29,265,420</u>
Total trade receivables, deposits and prepayments	<u>152,507,658</u>	<u>140,424,430</u>

The Group has a policy of allowing an average credit period of 30 days to its trade customers. The following is an ageing analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period:

	2020 HK\$	2019 HK\$
Within 30 days	12,131,280	55,373,252
31 to 90 days	1,069,793	620
91 to 180 days	533,507	—
Over 180 days	3,019,706	3,657,331
	16,754,286	59,031,203

11. TRADE AND BILLS PAYABLES

The following is an ageing analysis of trade and bills payables presented based on the invoice date:

	2020 HK\$	2019 HK\$
Within 30 days	37,927,186	66,960,550
31 to 90 days	7,538,052	19,304,629
91 to 180 days	48,144	132,298
Over 180 days	1,174,113	1,785,396
	46,687,495	88,182,873

The average credit period on purchases is 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

12. DIVIDENDS

	2020 HK\$	2019 HK\$
Dividends recognised as distribution during the year		
2019 Final – 3.0 HK cents (2018: 3.0 HK cents) per share	30,368,670	30,750,449
2019 Special Cash – 1.0 HK cent (2018: 1.0 HK cent) per share	10,122,889	10,250,150
2020 Interim – 0.5 HK cent (2019: 0.5 HK cent) per share	5,053,360	5,101,510
	45,544,919	46,102,109

A final dividend of 3.0 HK cents per share in respect of the year ended 31 March 2020 (2019: A final dividend of 3.0 HK cents per share and a special cash dividend of 1.0 HK cent per share) have been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

A final dividend of 3.0 HK cents per share (Year ended 31 March 2019: A final dividend of 3.0 HK cents per share and a special cash dividend of 1.0 HK cent per share) payable to the shareholders whose names on the Register of Members of the Company at the close of business on Friday, 4 September 2020 have been proposed by the Board (the “Proposed Dividend”) and are subject to approval by the shareholders in the forthcoming annual general meeting.

For determining the entitlement to attend and vote at the forthcoming annual general meeting (the “AGM”) of the Company to be held on Friday, 28 August 2020, the Register of Members of the Company will be closed from Friday, 21 August 2020 to Friday, 28 August 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrar and Transfer Office in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Thursday, 20 August 2020.

For determining the entitlement to the Proposed Dividend, the Register of Members of the Company will also be closed from Thursday, 3 September 2020 to Friday, 4 September 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the Proposed Dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrar and Transfer Office in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 2 September 2020.

The Proposed Dividend is expected to be paid on or about Friday, 18 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The audited consolidated profit for the year attributable to shareholders of the Company for the year ended 31 March 2020 was HK\$120,824,879 (Year ended 2019: HK\$221,825,779). The basic and diluted earnings per share of the Company for the year ended 31 March 2020 were 12.0 HK cents per share and 12.0 HK cents per share respectively (Year ended 2019: 21.7 HK cents per share and 21.7 HK cents per share respectively).

BUSINESS REVIEW

WATCHES MANUFACTURING AND WATCH COMPONENTS

During the period under review, the Group’s watch manufacturing and trading division was adversely affected by the continued trade friction between the United States of America and China as well as the surge of the COVID-19 pandemic, resulting in decreases in both turnover and profit.

HOTEL OPERATION

The performance of the Group's hotel business recorded lower revenue and profit due to the social incidents in Hong Kong and the outbreak of the COVID-19 virus.

PROPERTY DEVELOPMENT AND INVESTMENT

On 2 September 2019, the Group completed the disposal of two houses at its luxurious residential development 45 Tai Tam Road, Hong Kong, a joint venture project with BPE Asia Real Estate Fund L.P., the sales of which were mentioned in the Group's Interim Report.

The construction work of the Phase I residential condominium of the Group's multi-phased mixed-use development at 88 Queen Street East, Toronto, Canada has finished, and interim occupancy has commenced. The Group expects the final closing of the sold condominium units to be completed during the fourth quarter of 2020.

PROSPECTS

WATCHES MANUFACTURING AND WATCH COMPONENTS

The COVID-19 global pandemic has caused the temporary closure of various countries' borders and thus has seriously affected the flow of goods and services of our trading partners. The negative effect on the Group's watches manufacturing and watch components business turnover and profit is significant but the Group anticipates that the recovery, though expected to be slow, will commence in the fourth quarter of 2020. The Group has also expanded its focus on smart watches and wearables to combat the declining trend in traditional analogue and digital watches.

HOTEL OPERATION

The Group's hotel business has also been affected by the COVID-19 pandemic. However, the Group has managed to mitigate some of the impact by targeting longer stay guests as the Group has extensive serviced apartment expertise. The Group will also continue to implement cost saving measures to minimize operating costs.

PROPERTY DEVELOPMENT AND INVESTMENT

On 3 April 2020, the Group entered into a sale and purchase agreement with two independent third parties to acquire the shares of HGL Investment Limited, which is the beneficial owner of House 8, 39 Deep Water Bay Road, Hong Kong. The transaction was completed on 2 June 2020.

The Group has commenced the foundation work of its luxurious residential project at 3 South Bay Close, Repulse Bay and this work is expected to be completed in the first quarter of 2021, at which time the superstructure work will follow.

The marketing launch of the Group's Phase III residential condominium of its multi-phased mixed-use development at 88 Queen Street East, Toronto, Canada was successful and the Group has commenced the excavation and foundation work.

Amidst this challenging market environment, the Group is being appropriately cautious and prudent while also opportunistic in its approach to investments.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 March 2020, the Group's total borrowings were approximately HK\$4,025 million (2019: HK\$3,876 million), representing an increase of approximately HK\$149 million from last year. The maturity profile spreads over a period of 20 years, with approximately HK\$1,167 million repayable within one year, approximately HK\$2,723 million within two to five years and HK\$135 million beyond five years.

At the year end date, the Group's gearing ratio was 1.19 (2019: 1.35) which is calculated based on the Group's long-term borrowings of approximately HK\$2,858 million (2019: HK\$3,202 million) and shareholders' funds of approximately HK\$2,402 million (2019: HK\$2,374 million).

As at 31 March 2020, the Group's total bank balances and cash was approximately HK\$1,090 million (2019: HK\$812 million).

Similar to the past years, the Group has maintained a reasonable level of cash resources and stand-by credit facilities to provide adequate liquid funds to finance its commitments and working capital requirements.

Treasury policies

As at 31 March 2020, 80% of the Group's borrowings were in HKD, 16% in CAD, 2% in JPY, 1% in USD and 1% in GBP. As at 31 March 2020, 46% of the Group's bank balances and cash was in CAD, 29% in HKD, 10% in USD, 7% in JPY, 4% in RMB, and 4% in others.

All the Group's borrowings are variable-rate borrowings. The Group will carefully monitor its foreign exchange and interest rates exposure and utilise financial instruments such as forward contracts and interest rate swaps as necessary.

Future plans for material investments

The Group currently has no other plans for material investments. Any acquisition will be funded by internal resources of the Group and bank borrowings.

Charges on assets

As at 31 March 2020, certain properties and time deposits of the Group of approximately HK\$4,955 million (2019: HK\$5,034 million) were pledged to secure banking facilities for the Group.

Employees

As at 31 March 2020, the Group employed approximately 300 employees in Hong Kong, the PRC and other overseas countries. The staff costs for the year including directors' emoluments amounted to approximately HK\$106 million (2019: HK\$128 million). Remuneration is determined by reference to market terms as well as the qualifications and experiences of the staff concerned. Salaries are reviewed annually and discretionary bonuses may be paid depending on individual performance and the profitability of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During this financial year, the Company repurchased a total of 18,826,000 (2019: 11,480,000) of its own shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The details are as follows:

Month of repurchase

	Number of ordinary shares of HK\$0.1 each	Price per share		Aggregate consideration paid (including expenses) HK\$
		Highest HK\$	Lowest HK\$	
April 2019	292,000	1.20	1.18	348,845
May 2019	2,684,000	1.23	1.19	3,251,065
June 2019	456,000	1.19	1.19	544,581
July 2019	864,000	1.23	1.21	1,066,299
August 2019	1,494,000	1.23	1.20	1,839,603
November 2019	124,000	1.12	1.12	139,410
December 2019	3,872,000	1.12	1.12	4,352,160
January 2020	210,000	1.12	1.09	233,935
February 2020	1,106,000	1.09	1.09	1,209,927
March 2020	7,724,000	1.09	0.99	8,311,876
	<u>18,826,000</u>			<u>21,297,701</u>

ENVIRONMENT, SOCIAL RESPONSIBILITIES AND GOVERNANCE REPORT

Details of the environment, social responsibilities and governance of the Company will be set out in the Environmental, Social Responsibilities and Governance Report to be issued separately pursuant to Rule 13.91 and Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

CORPORATE GOVERNANCE

During the year ended 31 March 2020, in the opinion of the Board, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the following deviations.

CG Code A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In the opinion of the Board, the Chairman and Managing Director play a pivotal role in charting of corporate strategies and direction of the Group and should not be subject to retirement by rotation in consideration of the stability and continuity development of the Group. As such, the Board has exempted the Chairman and Managing Director from retiring from office by rotation at AGM in accordance with the Bye-law 99 of the Company.

Pursuant to the CG Code A.4.1, Non-executive Directors should be appointed for a specific term, subject to re-election. However, each Non-executive and Independent Non-executive Director of the Company was appointed for a term of period up to his retirement by rotation and re-election at the AGM of the Company in accordance with the Bye-law 99. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in CG Code A.4.1.

An Audit and Risk Management Committee has been established by the Company to review and supervise the Company's financial reporting process and internal controls and review the relationship with the auditors. The Audit and Risk Management Committee has held meetings in accordance with the relevant requirements and reviewed the results for the year ended 31 March 2020.

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries to all Directors who have confirmed that, during the year, they have complied with the required standard set out in the Model Code.

PUBLICATION OF RESULT ON THE STOCK EXCHANGE'S WEBSITE

The annual report of the Company for the year ended 31 March 2020 containing all applicable information required by Paragraph 45 of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website and on the Company's website (<http://www.irasia.com/listco/hk/national/index.htm>) in due course.

By Order of the Board
National Electronics Holdings Limited
Lee Yuen Ching, Jimmy
Chairman

Hong Kong, 24 June 2020

As at the date of this announcement, the Executive Directors of the Company are Mr. Lee Yuen Ching, Jimmy, Mr. Lee Bon Chi, Loewe, Mr. Lee Yuen Kui, James, Mr. Lee Yuen Cheor, Edward and Mr. Wai Kwong Yuen, Ricky; the Non-executive Director of the Company is Ms. Lee Yuen Yu, Dorothy; and the Independent Non-executive Directors are Dr. Samson Sun, M.B.E., J.P., Mr. Chan Chak Cheung, William and Mr. Chan Kwok Wai.