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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 2013**

#### **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 2013 and the audited consolidated statement of financial position as at 31 March 2013 as follows:

#### **CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2013**

	<i>NOTES</i>	<b>2013</b> <i>HK\$</i>	<b>2012</b> (Restated) <i>HK\$</i>
Revenue	3	<b>1,167,853,958</b>	1,294,715,363
Cost of sales		<b><u>(990,349,105)</u></b>	<u>(1,106,093,672)</u>
Gross profit		<b>177,504,853</b>	188,621,691
Other income and gains	4	<b>30,384,242</b>	57,165,027
Increase in fair value of investment properties		<b>30,841,370</b>	47,274,221
Gain/(loss) on disposal of subsidiaries		<b>3,608,177</b>	(2,608,294)
Loss on disposal of associates		<b>—</b>	(3,580,248)
Fair value gain arising from the remeasurement of the previously held interest in a jointly controlled entity		<b>143,157,821</b>	—
Distribution costs		<b>(9,247,112)</b>	(7,702,311)
Administrative expenses		<b>(182,459,307)</b>	(183,898,579)
Finance costs	5	<b>(24,212,583)</b>	(20,832,526)
Share of results of associates		<b><u>135,810,816</u></b>	<u>102,813,255</u>
Profit before taxation	6	<b>305,388,277</b>	177,252,236
Income tax expense	7	<b><u>(9,164,653)</u></b>	<u>(5,946,232)</u>
<b>Profit for the year</b>		<b><u>296,223,624</u></b>	<u>171,306,004</u>
<b>Earnings per share</b>			
Basic	8	<b><u>30.3 HK cents</u></b>	<u>17.6 HK cents</u>
Diluted	8	<b><u>30.1 HK cents</u></b>	<u>17.6 HK cents</u>
Dividend per share			
— Final dividend and special cash dividend proposed after the end of the reporting period	11	<b><u>5.5 HK cents</u></b>	<u>5.5 HK cents</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2013**

	<b>2013</b>	2012
	<b>HK\$</b>	(Restated) <b>HK\$</b>
<b>Profit for the year</b>	<b>296,223,624</b>	171,306,004
Other comprehensive expense		
Exchange differences arising on translating foreign operations	<b>3,912,221</b>	(2,299,356)
Loss on revaluation of properties	<b>(47,235,714)</b>	(35,747,000)
Reversal of deferred taxation arising on revaluation of properties	<b>7,793,893</b>	4,544,138
Fair value gain on hedging instruments in cash flow hedges	<b>2,636,272</b>	—
Net (loss)/gain on available-for-sale investments	<u><b>(560,000)</b></u>	<u>4,820,000</u>
Other comprehensive expense for the year	<u><b>(33,453,328)</b></u>	<u>(28,682,218)</u>
Total comprehensive income for the year	<u><b>262,770,296</b></u>	<u>142,623,786</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2013**

	<i>NOTES</i>	<b>31/03/2013</b>	31/03/2012 (Restated)	01/04/2011 (Restated)
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Non-current assets</b>				
Investment properties		<b>645,000,000</b>	768,596,000	1,201,272,361
Property, plant and equipment		<b>552,048,987</b>	256,345,880	256,730,518
Prepaid lease payments		<b>14,348,251</b>	14,543,932	14,459,432
Goodwill		<b>678,126</b>	678,126	—
Interests in associates		<b>173,095,842</b>	485,157,907	346,876,492
Interests in jointly controlled entities		—	—	—
Available-for-sale investments		<b>21,230,000</b>	20,490,000	15,670,000
Held-to-maturity investments		—	11,721,920	—
		<b><u>1,406,401,206</u></b>	<u>1,557,533,765</u>	<u>1,835,008,803</u>
<b>Current assets</b>				
Inventories		<b>133,429,238</b>	173,214,874	146,509,132
Prepaid lease payments		<b>325,911</b>	322,733	328,209
Held-to-maturity investments		<b>11,768,269</b>	—	—
Investment held for trading		<b>4,058,346</b>	4,097,534	4,108,333
Inventory of unsold properties		<b>7,464,423</b>	127,380,207	195,138,020
Properties under development for sale		<b>1,183,576,472</b>	78,820,146	—
Bills receivables	9	<b>1,562,246</b>	1,721,248	7,778,724
Trade receivables, deposits and prepayments	9	<b>136,175,573</b>	174,434,198	88,180,850
Amounts due from associates		<b>71,307,347</b>	173,904,033	143,489,370
Amounts due from jointly controlled entities		<b>15,999,823</b>	125,499,603	120,386,628
Tax recoverable		<b>56,744</b>	1,495,609	3,764,323
Bank balances and cash		<b><u>615,705,106</u></b>	<u>282,850,250</u>	<u>174,642,837</u>
		<b><u>2,181,429,498</u></b>	<u>1,143,740,435</u>	<u>884,326,426</u>

	<i>NOTES</i>	31/03/2013	31/03/2012 (Restated)	01/04/2011 (Restated)
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Current liabilities</b>				
Trade payables, customers' deposits and accrued expenses	10	176,689,402	176,406,139	140,869,796
Bills payables	10	88,074,614	128,448,006	86,656,200
Amount due to an associate		46,815,748	7,020	7,020
Tax payable		7,749,596	4,582,491	1,731,784
Derivative financial instruments		3,058,561	9,989,693	8,293,491
Obligations under finance leases		3,319,946	2,002,592	2,932,849
Bank loans		<u>510,786,792</u>	<u>583,051,022</u>	<u>544,568,485</u>
		<u>836,494,659</u>	<u>904,486,963</u>	<u>785,059,625</u>
<b>Net current assets</b>		<u>1,344,934,839</u>	<u>239,253,472</u>	<u>99,266,801</u>
<b>Total assets less current liabilities</b>		<u><u>2,751,336,045</u></u>	<u><u>1,796,787,237</u></u>	<u><u>1,934,275,604</u></u>
<b>Capital and reserves</b>				
Share capital		97,656,251	97,754,251	96,742,993
Reserves		<u>1,494,581,407</u>	<u>1,291,464,947</u>	<u>1,185,585,955</u>
<b>Total equity</b>		<u>1,592,237,658</u>	<u>1,389,219,198</u>	<u>1,282,328,948</u>
<b>Non-current liabilities</b>				
Provision for long service payments		4,257,203	4,338,325	4,074,193
Derivative financial instruments		81,333	657,552	8,178,138
Obligations under finance leases		3,378,010	2,555,046	2,660,661
Bank loans		1,076,211,080	378,402,564	606,420,674
Deferred tax liabilities		<u>75,170,761</u>	<u>21,614,552</u>	<u>30,612,990</u>
		<u>1,159,098,387</u>	<u>407,568,039</u>	<u>651,946,656</u>
		<u><u>2,751,336,045</u></u>	<u><u>1,796,787,237</u></u>	<u><u>1,934,275,604</u></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**

**1. BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets

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

***Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets***

The Group has applied for the first time the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group’s investment property portfolios and concluded that the Group’s investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the ‘sale’ presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of certain investment properties as the Group is not subject to any income taxes on disposal of those investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively by restating the balances at 1 April 2011 and 31 March 2012, with consequential adjustments to comparatives for the year ended 31 March 2012.

*Summary of the effects of the above change in accounting policy*

The effects of change in accounting policy described above on the results for the current and prior years by line items are as follows:

	<b>2013</b>	2012
	<b>HK\$</b>	<b>HK\$</b>
Decrease in income tax expense	<b>6,320,527</b>	6,529,295
Increase in loss on disposal of subsidiaries	—	(42,550,215)
Increase in loss on disposal of associates	—	(5,367,748)
Increase in share of results of associates	<u><b>1,715,411</b></u>	<u>2,644,031</u>
Increase/(decrease) in profit for the year	<u><b>8,035,938</b></u>	<u>(38,744,637)</u>

The effects of the above change in accounting policy on the financial positions of the Group as at 1 April 2011 and 31 March 2012 is as follows:

	As at 01/04/2011 (originally stated) HK\$	Adjustments HK\$	As at 01/04/2011 (restated) HK\$	As at 31/03/2012 (originally stated) HK\$	Adjustments HK\$	As at 31/03/2012 (restated) HK\$
Goodwill	—	—	—	32,789,966	(32,111,840)	678,126
Interests in associates	340,232,644	6,643,848	346,876,492	481,237,776	3,920,131	485,157,907
Deferred tax liabilities	<u>(82,745,200)</u>	<u>52,132,210</u>	<u>(30,612,990)</u>	<u>(69,837,682)</u>	<u>48,223,130</u>	<u>(21,614,552)</u>
Total effects on net assets	<u>257,487,444</u>	<u>58,776,058</u>	<u>316,263,502</u>	<u>444,190,060</u>	<u>20,031,421</u>	<u>464,221,481</u>
Retained profits	<u>885,972,188</u>	<u>58,776,058</u>	<u>944,748,246</u>	<u>1,061,996,927</u>	<u>20,031,421</u>	<u>1,082,028,348</u>
Total effects on equity	<u>885,972,188</u>	<u>58,776,058</u>	<u>944,748,246</u>	<u>1,061,996,927</u>	<u>20,031,421</u>	<u>1,082,028,348</u>

The effects of the above change in accounting policy on the financial positions of the Group as at 31 March 2013 is as follows:

	As at 31/03/2013 HK\$
Decrease in goodwill	(32,111,840)
Increase in interests in associates	5,635,542
Decrease in deferred tax liabilities	<u>54,543,657</u>
Total effects on net assets	<u><u>28,067,359</u></u>
Increase in retained profits	<u>28,067,359</u>
Total effects on equity	<u><u>28,067,359</u></u>

The effects of the above change in accounting policy on the Group's basic and diluted earnings per share for the current and prior year are as follows:

**Impact on basic and diluted earnings per share**

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2013	2012	2013	2012
	HK cents	HK cents	HK cents	HK cents
Figures before adjustments	29.5	21.6	29.3	21.5
Adjustments arising from change in the Group's accounting policy in relation to:				
- application of amendments to HKAS 12 in respect of deferred taxes on investment properties	<u>0.8</u>	<u>(4.0)</u>	<u>0.8</u>	<u>(3.9)</u>
Figures after adjustments	<u><u>30.3</u></u>	<u><u>17.6</u></u>	<u><u>30.1</u></u>	<u><u>17.6</u></u>

### ***New and revised HKFRSs issued but not yet effective***

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 — 2011 Cycle <sup>1</sup>
Amendments to HKFRS 1	Government Loan <sup>1</sup>
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>3</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities <sup>2</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>1</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>1</sup>
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>4</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2014.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2015.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2012.

### ***New and revised standards on consolidation, joint arrangements, associates and disclosures***

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC)-Int 12 *Consolidation — Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.



HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 *Jointly Controlled Entities — Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that the application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

### ***HKFRS 13 Fair Value Measurement***

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

### ***Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income***

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a ‘statement of comprehensive income’ is renamed as a ‘statement of profit or loss and other comprehensive income’ and an ‘income statement’ is renamed as a ‘statement of profit or loss’. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

### ***HKAS 19 (as revised in 2011) Employee Benefits***

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the ‘corridor approach’ permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a ‘net-interest’ amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. The directors anticipate that the application of the amendments to HKAS 19 may have an impact on amounts reported in respect of the Groups’ defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

Revenue is measured at fair value of the consideration received or receivable and represents the amounts received and receivable for goods sold and services provided net of discounts during the year.

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

#### For the year ended 31 March 2013

	Manufacture of watches and trading of watch movements <i>HK\$</i>	Property development <i>HK\$</i>	Property investment <i>HK\$</i>	Hotel operation <i>HK\$</i>	Consolidated <i>HK\$</i>
<b>REVENUE</b>					
External sales	<u>1,147,902,149</u>	<u>53,316</u>	<u>1,151,000</u>	<u>18,747,493</u>	<u>1,167,853,958</u>
<b>RESULT</b>					
Segment result	<u>40,827,475</u>	<u>(20,661,956)</u>	<u>28,427,355</u>	<u>13,956,639</u>	62,549,513
Interest income					4,799,453
Unallocated other income					6,639,093
Unallocated other expenses					(26,964,013)
Finance costs					(24,212,583)
Gain on disposal of subsidiaries					3,608,177
Fair value gain arising from the remeasurement of the previously held interest in a jointly controlled entity					143,157,821
Share of results of associates					<u>135,810,816</u>
Profit before taxation					305,388,277
Income tax expense					<u>(9,164,653)</u>
Profit for the year					<u>296,223,624</u>

For the year ended 31 March 2012 (Restated)

	Manufacture of watches and trading of watch movements <i>HK\$</i>	Property development <i>HK\$</i>	Property investment <i>HK\$</i>	Hotel operation <i>HK\$</i>	Consolidated <i>HK\$</i>
REVENUE					
External sales	<u>1,283,524,693</u>	<u>—</u>	<u>4,588,410</u>	<u>6,602,260</u>	<u>1,294,715,363</u>
RESULT					
Segment result	<u>43,759,245</u>	<u>(22,468,302)</u>	<u>42,045,533</u>	<u>4,875,502</u>	68,211,978
Interest income					1,488,228
Unallocated other income					43,461,845
Unallocated other expenses					(11,702,002)
Finance costs					(20,832,526)
Loss on disposal of subsidiaries					(2,608,294)
Loss on disposal of associates					(3,580,248)
Share of results of associates					<u>102,813,255</u>
Profit before taxation					177,252,236
Income tax expense					<u>(5,946,232)</u>
Profit for the year					<u>171,306,004</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit earned by/loss from each segment without allocation of central administration costs, share of results of associates, gain/loss on disposal of subsidiaries/associates, fair value arising from the remeasurement of the previously held interest in a jointly controlled entity, other income and finance costs. This is the measure reported to the Board of Directors 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

	31/03/2013 HK\$	31/03/2012 (Restated) HK\$
Manufacture of watches and trading of watch movements	327,024,562	325,531,501
Property development	1,178,838,759	90,874,056
Property investment	371,159,064	599,216,082
Hotel operation	<u>305,876,440</u>	<u>402,378,144</u>
Total segment assets	2,182,898,825	1,417,999,783
Interests in associates	173,095,842	485,157,907
Amounts due from associates	71,307,347	173,904,033
Amounts due from jointly controlled entities	15,999,823	125,499,603
Unallocated	<u>1,144,528,867</u>	<u>498,712,874</u>
Consolidated assets	<u>3,587,830,704</u>	<u>2,701,274,200</u>

### Segment liabilities

	31/03/2013 HK\$	31/03/2012 (Restated) HK\$
Manufacture of watches and trading of watch movements	181,451,968	246,236,070
Property development	30,553,560	5,656,922
Property investment	43,577,832	50,692,476
Hotel operation	<u>3,895,120</u>	<u>5,269,812</u>
Total segment liabilities	259,478,480	307,855,280
Amount due to an associate	46,815,748	7,020
Unallocated	<u>1,689,298,818</u>	<u>1,004,192,702</u>
Consolidated liabilities	<u>1,995,593,046</u>	<u>1,312,055,002</u>

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

- all assets are allocated to operating segments other than interests in associates, amounts due from associates and jointly controlled entities, available-for-sale investments, held-to-maturity investments, tax recoverable, bank balances and cash, and other unallocated corporate assets; and
- all liabilities are allocated to operating segments other than bank loans, tax payable, amount due to an associate, deferred tax liabilities and other unallocated corporate liabilities.

## Other segment information

For the year ended 31 March 2013

	Manufacture of watches and trading of watch movements <i>HK\$</i>	Property development <i>HK\$</i>	Property investment <i>HK\$</i>	Hotel operation <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Capital additions	53,657,807	179,046	165,360,436	149,012	295,903	219,642,204
Depreciation of property, plant and equipment	(26,182,501)	(835,722)	(2,048,708)	(1,500)	(1,219,306)	(30,287,737)
Amortisation of prepaid lease payments	(327,245)	—	—	—	—	(327,245)
Impairment loss on property, plant and equipment recognised in other comprehensive income	—	—	—	—	(47,235,714)	(47,235,714)
Recovery of doubtful debts	2,098,859	—	—	—	—	2,098,859
Impairment loss recognised in respect of other receivables	(1,472,000)	—	—	—	—	(1,472,000)
Reversals of write- down of inventories	2,682,180	—	—	—	—	2,682,180
Increase/(decrease) in fair value of investment properties	(7,464,855)	—	13,450,601	24,855,624	—	30,841,370
Loss on disposal of property, plant and equipment	<u>(63,089)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,248)</u>	<u>(66,337)</u>

For the year ended 31 March 2012

	Manufacture of watches and trading of watch movements <i>HK\$</i>	Property development <i>HK\$</i>	Property investment <i>HK\$</i>	Hotel operation <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Capital additions	34,182,489	473,995	15,615,361	305,004,445	174,912	355,451,202
Depreciation of property, plant and equipment	(19,671,173)	(501,401)	(5,893,300)	—	(819,760)	(26,885,634)
Amortisation of prepaid lease payments	(322,733)	—	—	—	—	(322,733)
Impairment loss on property, plant and equipment recognised in other comprehensive income	—	—	—	—	(35,747,000)	(35,747,000)
Recovery of doubtful debts	2,936,920	—	—	—	—	2,936,920
Impairment loss recognised in respect of trade receivables	(13,067)	—	—	(213,776)	—	(226,843)
Reversal of write-down of inventories	8,980,476	—	—	—	—	8,980,476
Increase/(decrease) in fair value of investment properties	7,702,737	—	39,574,620	(3,136)	—	47,274,221
Gain on disposal of property, plant and equipment	<u>862,500</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>41,082,455</u>	<u>41,944,955</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	
	2013	2012	31/03/2013	31/03/2012
	HK\$	HK\$	HK\$	(Restated) HK\$
Hong Kong and the PRC	<b>1,002,143,715</b>	1,101,393,018	<b>1,379,547,651</b>	1,519,622,287
North America	<b>30,279,529</b>	43,162,150	<b>5,623,555</b>	5,699,558
Europe	<b>101,817,843</b>	136,007,666	—	—
Others	<b>33,612,871</b>	14,152,529	—	—
	<b><u>1,167,853,958</u></b>	<b><u>1,294,715,363</u></b>	<b><u>1,385,171,206</u></b>	<b><u>1,525,321,845</u></b>

*Note: Non-current assets excluded financial instruments.*

## Information about major customers

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

	2013	2012
	HK\$	HK\$
Customer A	<b>404,221,952</b>	360,657,272
Customer B	<b>176,699,368</b>	172,822,867

All of the revenue above is generated from trading of watch movements.



#### 4. OTHER INCOME AND GAINS

	2013 HK\$	2012 HK\$
Bank interest income	4,799,453	1,488,228
Bargain purchase gain arising on acquisition of subsidiaries	5,657,431	—
Interest income from held-to-maturity investments	100,540	168,266
Gain on fair value changes of investment held for trading	203,657	198,657
Gain on disposal of property, plant and equipment	—	41,944,955
Management fee income received from associates and jointly controlled entities	—	4,909,646
Interest income on amounts due from associates	633,546	116,630
Recovery of doubtful debts	2,098,859	2,936,920
Net foreign exchange gain	6,905,513	—
Customers' deposits forfeited	2,360,234	—
Sundry income	7,625,009	5,401,725
	<u>30,384,242</u>	<u>57,165,027</u>

#### 5. FINANCE COSTS

	2013 HK\$	2012 HK\$
Interest on:		
Bank loans and overdrafts		
- wholly repayable within five years	22,501,613	19,424,245
- not wholly repayable within five years	10,631,228	6,966,165
Obligations under finance leases	323,974	316,755
	<u>33,456,815</u>	<u>26,707,165</u>
Total borrowing costs	33,456,815	26,707,165
Less: Amounts capitalised to investment properties	(9,244,232)	(5,874,639)
	<u>24,212,583</u>	<u>20,832,526</u>

## 6. PROFIT BEFORE TAXATION

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Profit before taxation has been arrived at after charging:		
Staff costs including directors' emoluments	<b>148,344,260</b>	153,675,689
Depreciation of property, plant and equipment	<b>30,287,737</b>	26,885,634
Amortisation of prepaid lease payments	<b>327,245</b>	322,733
Auditors' remuneration	<b>1,917,460</b>	1,850,828
Cost of inventories recognised as an expense	<b>844,139,403</b>	957,349,704
Impairment loss recognised in respect of trade and other receivables (included in administrative expenses on consolidated income statement)	<b>1,472,000</b>	226,843
Loss on disposal of property, plant and equipment	<b>66,337</b>	—
Loss on fair value changes of derivative financial instruments	<b>860,616</b>	9,459,701
Minimum lease payments for operating leases in respect of land and buildings	<b>8,172,042</b>	8,013,576
Net foreign exchange loss	—	2,827,234
Reversal of write-down of inventories	<b>(2,682,180)</b>	(8,980,476)
and after crediting:		
Gross rental income from investment properties	<b>18,155,080</b>	11,190,670
Less: Outgoings	<u><b>(764,246)</b></u>	<u>(685,461)</u>
Net rental income from investment properties	<u><b>17,390,834</b></u>	<u>10,505,209</u>

Minimum lease payments for operating leases in respect of staff quarters amounting to HK\$5,303,841 (2012: HK\$5,259,060) are included in staff costs.

## 7. INCOME TAX EXPENSE

	2013	2012
	<i>HK\$</i>	(Restated) <i>HK\$</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	6,781,787	4,782,000
(Over)/under provision in prior years	<u>(1,446,597)</u>	<u>2,098,283</u>
	5,335,190	6,880,283
Other jurisdictions		
Current year	331,760	8,431
Overprovision in prior years	<u>—</u>	<u>(865,529)</u>
	5,666,950	6,023,185
Deferred tax		
Current year	<u>3,497,703</u>	<u>(76,953)</u>
	<u><u>9,164,653</u></u>	<u><u>5,946,232</u></u>

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% from 1 January 2008 onwards.

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:

	2013 HK\$	2012 (Restated) HK\$
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	<u>296,223,624</u>	<u>171,306,004</u>
<b>Number of shares</b>	<b>2013</b>	<b>2012</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	977,413,634	972,022,747
Effect of dilutive potential ordinary shares:		
Share options	<u>5,641,299</u>	<u>2,827,780</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>983,054,933</u>	<u>974,850,527</u>

## 9. BILLS RECEIVABLES, TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

Bills receivables with full recourse of HK\$1,562,246 (2012: HK\$1,721,248) are aged within 30 days.

The Group has a policy of allowing an average credit period of 30 — 60 days to its trade customers.

Included in trade receivables, deposits and prepayments are trade receivables net of allowance of doubtful debts of HK\$55,106,438 (2012: HK\$58,607,049) with an aged analysis as follows:

	31/03/2013 HK\$	31/03/2012 HK\$
Within 30 days	44,660,197	50,656,666
31 to 90 days	4,940,440	5,445,467
91 to 180 days	4,496,135	1,440,735
Over 180 days	<u>1,009,666</u>	<u>1,064,181</u>
	<u>55,106,438</u>	<u>58,607,049</u>

# **10. BILLS PAYABLES, TRADE PAYABLES, CUSTOMERS' DEPOSITS AND ACCRUED EXPENSES**

Included in bills payables, trade payables, customers' deposits and accrued expenses are trade and bills payables of HK\$121,061,169 (2012: HK\$169,629,879) with an aged analysis as follows:

	<b>31/03/2013</b>	31/03/2012
	<b>HK\$</b>	<b>HK\$</b>
Within 30 days	<b>67,927,801</b>	105,990,587
31 to 90 days	<b>38,178,838</b>	50,393,997
91 to 180 days	<b>5,656,316</b>	7,054,868
Over 180 days	<b><u>9,298,214</u></b>	<u>6,190,427</u>
	<b><u><u>121,061,169</u></u></b>	<u><u>169,629,879</u></u>

The average credit period on purchases is 3 months. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

# **11. DIVIDENDS**

	<b>2013</b>	2012
Dividends recognised as distribution during the year		
2012 Final — 3.5 HK cents (2011: 4.0 HK cents) per share	<b>34,224,492</b>	38,578,422
2012 Special Cash — 2.0 HK cents (2011: Nil) per share	<b>19,556,853</b>	—
2013 Interim — 0.5 HK cents (2012: 0.5 HK cents) per share	<b><u>4,889,219</u></b>	<u>4,887,809</u>
	<b><u><u>58,670,564</u></u></b>	<u><u>43,466,231</u></u>

A final dividend of 3.5 HK cents per share and a special cash dividend of 2.0 HK cents per share in respect of the year ended 31 March 2013 (2012: Final dividend of 3.5 HK cents per share and a special cash dividend of 2.0 HK cents per share in respect of the year ended 31 March 2012) 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 3.5 HK cents per share and a special cash dividend of 2.0 HK cents per share (2012: Final dividend of 3.5 HK cents per share and a special cash dividend of 2.0 HK cents per share) payable to the shareholders whose names on the Register of Members of the Company on Tuesday, 27 August 2013 have been proposed by the Board (the “Proposed Final Dividend and Special Cash Dividend”) and is subject to approval by the shareholders in the forthcoming annual general meeting.

The Register of Members of the Company will be closed from Tuesday, 13 August 2013 to Tuesday, 20 August 2013 (both days inclusive) and from Monday, 26 August 2013 to Tuesday, 27 August 2013 (both days inclusive) respectively, during which period no transfer of shares will be registered.

In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrars and Transfer Office in Hong Kong, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 12 August 2013.

In order to qualify for the Proposed Final Dividend and Special Cash Dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrars and Transfer Office in Hong Kong, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 23 August 2013.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS**

The audited consolidated profit attributable to shareholders of the Group for the year ended 31 March 2013 was HK\$296,223,624 (2012: HK\$171,306,004). The basic and diluted earnings per share of the Company for the year ended 31 March 2013 were 30.3 HK cents per share and 30.1 HK cents per share respectively (2012: 17.6 HK cents per basic share and 17.6 HK cents per diluted share respectively).

### **BUSINESS REVIEW**

#### **Watches and watch components**

During the period under review, the turnover and profit of the Group's watch manufacturing and watch component trading division decreased slightly due to the continued escalation of manufacturing costs in China coupled with the slow recovery of the European and U.S. economies.

#### **Property development and investment**

During the year under review, on 11 June 2012, Century Land Limited, which the Group owns 20% of its issued share capital, completed the transaction with the Agricultural Bank of China on the sale of its Grade A commercial investment property situated at 50 Connaught Road Central for HK\$4.88 billion. The result was very satisfactory and the profit contribution of this investment property had been distributed over the past few years.

In the same month, the Group launched Twenty One Whitfield, its joint venture boutique hotel apartment, with a real estate fund managed by J.P. Morgan Asset Management located at Twenty One Whitfield Road, Hong Kong. It was the Group's first hotel apartment in the Causeway Bay / North Point location and the result has been satisfactory.

On 27 September 2012 the Group completed the purchase of the outstanding 50% shareholding, in Tania Investments Holdings Limited, previously a jointly controlled entity with a real estate fund managed by J.P. Morgan Asset Management which indirectly owns the residential property located at 45 Tai Tam Road, Hong Kong.

99 Bonham, designed by the world renowned architect firm Antonio Citterio, Patricia Viel and Partners, launched in October 2012 and was the Group's third boutique hotel apartment joint venture with a real estate fund managed by J.P. Morgan Asset Management.

On 14 November 2012, the Group completed its purchase of House No. C36, Regalia Bay, No. 88 Wong Ma Kok Road, Hong Kong for long term investment purpose.

## **PROSPECTS**

### **Watches and watch components**

The continued weakness and instability of the European Union, the fragile U.S. economic recovery and the potential slowdown of growth in China will affect consumer demand that may persist this coming year. This will have a negative impact on the Group's watch manufacturing and watch component trading business.

### **Property development and investment**

The superstructure of the Group's wholly owned boutique hotel apartment development at 194 — 196 Queen's Road Central was completed and the project is expected to launch early 2014.

The site formation work of the Group's wholly owned luxurious residential development project at 45 Tai Tam Road was completed and preparation for the foundation has commenced.

With the introduction of Special Stamp Duty, Buyer Stamp Duty and proposed onerous presale legislations by the Hong Kong Government, the number of transactions in the Hong Kong property market has dropped tremendously and signs of downward price adjustment was shown in the mass market sector. Despite these factors, prices in the luxury sector have remained quite resilient.

The Group remains optimistic about Hong Kong's medium and long term real estate market and will look for attractive acquisition opportunities amidst this uncertain environment.

## **FINANCIAL REVIEW**

### **Liquidity and financial resources**

As at 31 March 2013, the Group's total borrowings were approximately HK\$1,587 million (2012: HK\$961 million), representing an increase of approximately HK\$626 million from last year. The maturity profile spreads over a period of 30 years, with approximately HK\$511 million repayable within one year, approximately HK\$799 million within two to five years and HK\$277 million beyond five years.

At the year end date, the Group's gearing ratio was 0.68 (2012: 0.27) which is calculated based on the Group's long-term borrowings of approximately HK\$1,076 million (2012: HK\$378 million) and shareholders' funds of approximately HK\$1,592 million (2012: HK\$1,389 million).

As at 31 March 2013, the Group's total bank balances and cash was approximately HK\$616 million (2012: HK\$283 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 2013, 78% of the Group's borrowings was in HKD, 9% in USD, 8% in JPY and 5% in CAD. As at 31 March 2013, 77% of the Group's bank balances and cash was in HKD, 8% in JPY, 8% in CNY, 5% in USD, and 2% 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 2013, certain properties of the Group of approximately HK\$2,241 million (2012: HK\$1,092 million) were pledged to secure banking facilities for the Group.

## Employees

As at 31 March 2013, the Group employed approximately 1,900 employees in Hong Kong, the PRC and other overseas countries. The staff costs for the year including directors' emoluments amounted to approximately HK\$148 million (2012: HK\$154 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 1,280,000 (2012: 4,694,000) 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\$	
December 2012	<u>1,280,000</u>	1.02	1.01	<u>1,309,272</u>

## **CORPORATE GOVERNANCE**

The Company has complied with the Corporate Governance Code (effective from April 2012)(“CG” Code) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange.

An audit 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 committee has held meetings in accordance with the relevant requirements and reviewed the results for the year ended 31 March 2013.

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 2013 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  
**LEE YUEN CHING JIMMY**  
*Chairman*

Hong Kong, 25 June 2013

*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, Dorathy 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.*