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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 2015

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 2015 and the audited consolidated statement of financial position as at 31 March 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2015

	<i>NOTES</i>	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Revenue	3	1,432,142,078	1,171,313,881
Cost of sales		(1,194,810,280)	(1,009,384,023)
Gross profit		237,331,798	161,929,858
Other income and gains	4	58,890,913	6,271,487
Increase in fair value of investment properties		56,369,049	194,935,910
Distribution costs		(10,451,524)	(10,041,615)
Administrative expenses		(151,395,027)	(211,687,418)
Finance costs	5	(59,530,679)	(29,084,270)
Share of results of associates		1,497,554	111,312,276
Profit before taxation	6	132,712,084	223,636,228
Income tax credit	7	362,019	4,839,625
Profit for the year		<u>133,074,103</u>	<u>228,475,853</u>
Earnings per share	8		
Basic		<u>14.2 HK cents</u>	<u>23.8 HK cents</u>
Diluted		<u>14.1 HK cents</u>	<u>23.6 HK cents</u>
Dividend per share			
— Final dividend (2014: final dividend and special cash dividend) proposed after the end of the reporting period	11	<u>3.0 HK cents</u>	<u>4.5 HK cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2015

	2015	2014
	HK\$	HK\$
Profit for the year	133,074,103	228,475,853
Other comprehensive (expense)/income		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit obligation	<u>(249,169)</u>	<u>857,936</u>
	<u>(249,169)</u>	<u>857,936</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations	(62,264,913)	3,368,780
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of foreign operations	(3,637,308)	—
Reclassification adjustment for gain on hedging instruments included in profit or loss	—	(2,635,745)
Fair value loss on hedging instruments in cash flow hedges	—	(527)
Fair value (loss)/gain on available-for-sale investments	<u>(450,000)</u>	<u>1,020,000</u>
	<u>(66,352,221)</u>	<u>1,752,508</u>
Other comprehensive (expense)/income for the year	<u>(66,601,390)</u>	<u>2,610,444</u>
Total comprehensive income for the year	<u>66,472,713</u>	<u>231,086,297</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

	<i>NOTES</i>	2015	2014
		<i>HK\$</i>	<i>HK\$</i>
Non-current assets			
Investment properties		2,657,047,825	887,577,000
Property, plant and equipment		568,770,561	567,995,746
Prepaid lease payments		2,777,215	14,031,651
Goodwill		1,269,932	678,126
Interests in associates		7,826,267	284,408,118
Interest in a joint venture		—	—
Available-for-sale investments		60,582,500	22,250,000
Held-to-maturity investments		3,032,820	—
Deferred tax assets		7,737,829	7,115,238
		<u>3,309,044,949</u>	<u>1,784,055,879</u>
Current assets			
Inventories		131,875,949	129,415,492
Prepaid lease payments		67,964	326,332
Held-to-maturity investments		7,528,919	—
Investment held for trading		8,224,291	4,299,525
Inventory of unsold properties		6,215,477	6,937,366
Properties under development for sale		1,179,531,543	1,256,445,748
Bills receivables	9	542,796	1,288,962
Trade receivables, deposits and prepayments	9	169,632,944	155,149,054
Amounts due from associates		—	18,148,911
Amount due from a joint venture		21,599,822	21,349,823
Tax recoverable		112,295	946,258
Bank balances and cash		439,995,012	646,093,742
		<u>1,965,327,012</u>	<u>2,240,401,213</u>

	<i>NOTES</i>	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Current liabilities			
Trade payables, customers' deposits and accrued expenses	10	156,005,372	147,235,173
Bills payables	10	81,779,980	95,025,220
Amount due to an associate		46,815,748	46,815,748
Tax payable		4,960,294	4,691,530
Derivative financial instruments		—	1,179,294
Obligations under finance leases		4,825,192	6,041,458
Bank loans		<u>627,949,257</u>	<u>450,939,302</u>
		<u>922,335,843</u>	<u>751,927,725</u>
Net current assets		<u>1,042,991,169</u>	<u>1,488,473,488</u>
Total assets less current liabilities		<u>4,352,036,118</u>	<u>3,272,529,367</u>
Capital and reserves			
Share capital		93,556,651	94,040,651
Reserves		<u>1,650,050,713</u>	<u>1,634,403,676</u>
Total equity		<u>1,743,607,364</u>	<u>1,728,444,327</u>
Non-current liabilities			
Provision for long service payments		6,071,575	5,869,637
Obligations under finance leases		28,470,829	33,296,021
Bank loans		2,497,813,108	1,428,315,840
Deferred tax liabilities		<u>76,073,242</u>	<u>76,603,542</u>
		<u>2,608,428,754</u>	<u>1,544,085,040</u>
		<u>4,352,036,118</u>	<u>3,272,529,367</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

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”)

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

The application of the new and revised 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.

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

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁵
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ⁶

Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ⁵
Amendments to HKAS 1	Disclosure Initiative ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ⁴
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁵

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

³ Effective for annual periods beginning on or after 1 January 2017.

⁴ Effective for annual periods beginning on or after 1 July 2014.

⁵ Effective for annual periods beginning on or after 1 January 2016.

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

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

3. REVENUE AND SEGMENT INFORMATION

During the year, the Group changed the presentation for its segment information from four reportable operating segments which comprised (i) manufacture of watches and trading of watch movements; (ii) property development; (iii) property investment; and (iv) hotel operation to three reportable operating segments which comprised (i) manufacture of watches and trading of watch movements; (ii) property development and investment; and (iii) hotel operation because the directors revisited the reporting operating segments and considered the presentation of new reportable segments better reflects the Group's allocation of resources and assessment of performance. Accordingly, comparative segment information was revised in order to conform with the revised presentation for the current year.

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

For the year ended 31 March 2015

	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>1,173,721,457</u>	<u>194,551,187</u>	<u>63,869,434</u>	<u>1,432,142,078</u>
RESULT				
Segment result	<u>31,585,969</u>	<u>90,344,082</u>	<u>38,601,824</u>	160,531,875
Bank interest income				3,887,713
Unallocated other income				9,923,100
Unallocated other expenses				(9,313,603)
Finance costs				(59,530,679)
Bargain purchase gain arising on acquisition of subsidiaries				4,713,023
Gain on disposal of a subsidiary				20,012,396
Gain on disposal of an associate				990,705
Share of results of associates				<u>1,497,554</u>
Profit before taxation				132,712,084
Income tax credit				<u>362,019</u>
Profit for the year				<u>133,074,103</u>

For the year ended 31 March 2014 (restated)

	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>1,148,580,425</u>	<u>1,104,000</u>	<u>21,629,456</u>	<u>1,171,313,881</u>
RESULT				
Segment result	<u>28,300,905</u>	<u>154,252,752</u>	<u>17,093,636</u>	199,647,293
Bank interest income				4,208,391
Unallocated other income				75,649
Unallocated other expenses				(62,523,111)
Finance costs				(29,084,270)
Share of results of associates				<u>111,312,276</u>
Profit before taxation				223,636,228
Income tax credit				<u>4,839,625</u>
Profit for the year				<u>228,475,853</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, gain on disposal of a subsidiary, loss on deregistration of a subsidiary, gain on disposal of an associate, bargain purchase gain arising on acquisition of subsidiaries, fair value loss arising from the remeasurement of the previously held interests in associates, other income and finance costs. This is the measure reported to the chief operating decision makers 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

	2015 HK\$	2014 HK\$ (Restated)
Manufacture of watches and trading of watch movements	289,013,952	309,691,263
Property development and investment	1,917,114,283	1,741,235,716
Hotel operation	1,970,723,123	440,979,483
Total segment assets	4,176,851,358	2,491,906,462
Interests in associates	7,826,267	284,408,118
Interest in a joint venture	—	—
Amounts due from associates	—	18,148,911
Amount due from a joint venture	21,599,822	21,349,823
Unallocated	1,068,094,514	1,208,643,778
Consolidated assets	5,274,371,961	4,024,457,092

Segment liabilities

	2015 HK\$	2014 HK\$ (Restated)
Manufacture of watches and trading of watch movements	134,467,883	141,909,479
Property development and investment	78,017,036	93,594,021
Hotel operation	13,488,792	3,849,143
Total segment liabilities	225,973,711	239,352,643
Amount due to an associate	46,815,748	46,815,748
Unallocated	3,257,975,138	2,009,844,374
Consolidated liabilities	3,530,764,597	2,296,012,765

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

- all assets are allocated to operating segments other than interests in associates, interest in a joint venture, amounts due from associates, amount due from a joint venture available-for-sale investments, held-to-maturity investments, deferred tax assets, investment held-for-trading, 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 2015

	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	15,602,564	651,630,578	1,181,442,313	22,783,381	1,871,458,836
Depreciation of property, plant and equipment	(17,343,104)	(646,781)	(286,021)	(15,852,837)	(34,128,743)
Amortisation of prepaid lease payments	(222,249)	—	—	—	(222,249)
Impairment loss recognised in respect of trade and other receivables	(3,729,351)	—	—	—	(3,729,351)
Write-down of inventories	(4,485,647)	—	—	—	(4,485,647)
Increase in fair value of investment properties	—	56,369,049	—	—	56,369,049
Loss on disposal of property, plant and equipment	<u>(605,197)</u>	<u>(116,293)</u>	<u>—</u>	<u>(1,706)</u>	<u>(723,196)</u>

For the year ended 31 March 2014 (restated)

	Manufacture of watches and trading of watch movements HK\$	Property development and investment HK\$	Hotel operation HK\$	Unallocated HK\$	Consolidated HK\$
Capital additions	12,824,287	47,418,141	—	67,086,868	127,329,296
Depreciation of property, plant and equipment	(21,842,967)	(802,072)	(1,356)	(16,380,474)	(39,026,869)
Amortisation of prepaid lease payments	(328,350)	—	—	—	(328,350)
Impairment loss recognised in respect of trade and other receivables	(2,933,748)	—	—	—	(2,933,748)
Impairment loss recognised in respect of property, plant and equipment	—	—	—	(25,400,000)	(25,400,000)
Reversals of write-down of inventories	2,919,055	—	—	—	2,919,055
Increase in fair value of investment properties	—	194,935,910	—	—	194,935,910
Gain/(loss) on disposal of property, plant and equipment	<u>493,054</u>	<u>—</u>	<u>—</u>	<u>(9,452)</u>	<u>483,602</u>

Revenue from major products and services

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

	2015 HK\$	2014 HK\$
Watches and watch movements	1,173,721,457	1,148,580,425
Sale of properties	186,739,372	—
Leasing of properties	7,811,815	1,104,000
Hotel operation	<u>63,869,434</u>	<u>21,629,456</u>
	<u>1,432,142,078</u>	<u>1,171,313,881</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	
	2015	2014	2015	2014
	HK\$	HK\$	HK\$	HK\$
Hong Kong and the PRC	1,085,471,301	996,358,400	2,641,246,440	1,749,193,084
North America	271,908,416	61,157,531	596,445,360	5,497,557
Europe	44,905,020	77,559,818	—	—
Others	29,857,341	36,238,132	—	—
	<u>1,432,142,078</u>	<u>1,171,313,881</u>	<u>3,237,691,800</u>	<u>1,754,690,641</u>

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 sales of the Group are as follows:

	2015	2014
	HK\$	HK\$
Customer A ¹	411,438,166	382,792,908
Customer B ¹	212,627,772	199,236,269
Customer C ²	<u>186,739,372</u>	<u>N/A</u> ³

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

² Revenue from property development and investment.

³ The corresponding revenue did not contribute over 10% of the total sales of the Group.

4. OTHER INCOME AND GAINS

	2015 HK\$	2014 HK\$
Bank interest income	3,887,713	4,208,391
Interest income from held-to-maturity investments	350,400	117,971
Interest income on amounts due from associates	—	426,721
Gain on fair value changes of derivative financial instruments	964,572	62,655
Gain on fair value changes of investments held for trading	614,253	—
Gain on disposal of property, plant and equipment	—	483,602
Gain on disposal of an investment property	6,357,664	—
Gain on disposal of a subsidiary	20,012,396	—
Gain on disposal of an associate	990,705	—
Bargain purchase gain arising on acquisition of subsidiaries	4,713,023	—
Sale of exclusive right	12,617,500	—
Agency fee income	6,308,750	—
Sundry income	<u>2,073,937</u>	<u>972,147</u>
	<u>58,890,913</u>	<u>6,271,487</u>

5. FINANCE COSTS

	2015 HK\$	2014 HK\$
Interest on:		
Bank loans and overdrafts		
- wholly repayable within five years	56,001,064	35,693,295
- not wholly repayable within five years	33,231,097	10,366,748
Obligations under finance leases	<u>1,491,237</u>	<u>1,296,795</u>
Total borrowing costs	90,723,398	47,356,838
Less: Amounts capitalised to investment properties and properties under development	<u>(31,192,719)</u>	<u>(18,272,568)</u>
	<u>59,530,679</u>	<u>29,084,270</u>

6. PROFIT BEFORE TAXATION

	2015 HK\$	2014 HK\$
Profit before taxation has been arrived at after charging/(crediting):		
Staff costs including directors' emoluments	124,987,139	145,351,778
Depreciation of property, plant and equipment	34,128,743	39,026,869
Amortisation of prepaid lease payments	222,249	328,350
Auditors' remuneration	2,395,793	1,997,260
Cost of inventories recognised as an expense	1,112,361,302	846,064,379
Impairment loss recognised in respect of trade and other receivables (included in administrative expenses on consolidated statement of profit or loss)	3,729,351	2,933,748
Impairment loss recognised in respect of property, plant and equipment (included in administrative expenses on consolidated statement of profit or loss)	—	25,400,000
Loss on disposal of property, plant and equipment	723,196	—
Loss on fair value changes of investment held for trading	—	25,543
Loss on deregistration of a subsidiary	—	169,221
Fair value loss arising from the remeasurement of the previously held interests in associates	8,276,493	—
Net foreign exchange losses	1,177,169	9,994,008
Minimum lease payments for operating leases in respect of land and buildings	8,869,498	7,265,308
Write-down/(Reversal of write-down) of inventories	4,485,647	(2,919,055)
Gross rental income from investment properties	(69,730,156)	(19,038,733)
Less: Outgoings	<u>16,219,622</u>	<u>1,408,294</u>
Net rental income from investment properties	<u>(53,510,534)</u>	<u>(17,630,439)</u>

Minimum lease payments for operating leases in respect of staff quarters amounting to HK\$4,601,417 (2014: HK\$5,451,489) are included in staff costs.

7. INCOME TAX CREDIT

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	4,041,408	5,261,000
Overprovision in prior years	<u>(3,882,151)</u>	<u>(4,371,873)</u>
	159,257	889,127
Other jurisdictions		
Current year	<u>54,850</u>	<u>13,513</u>
	214,107	902,640
Deferred tax		
Current year	<u>(576,126)</u>	<u>(5,742,265)</u>
	<u><u>(362,019)</u></u>	<u><u>(4,839,625)</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:

	2015 HK\$	2014 HK\$
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	<u>133,074,103</u>	<u>228,475,853</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	937,080,352	960,814,221
Effect of dilutive potential ordinary shares:		
Share options	<u>5,626,522</u>	<u>5,589,078</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>942,706,874</u>	<u>966,403,299</u>

9. BILLS RECEIVABLES, TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

Bills receivables of HK\$542,796 (2014: HK\$1,288,962) which are aged within 30 days.

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

Included in trade receivables, deposits and prepayments are trade receivables net of allowance of doubtful debts of HK\$38,616,135 (2014: HK\$76,878,935) with an aged analysis as follows:

The Group	2015 HK\$	2014 HK\$
Within 30 days	30,519,381	58,108,425
31 to 90 days	2,844,801	10,100,448
91 to 180 days	1,176,068	5,582,053
Over 180 days	<u>4,075,885</u>	<u>3,088,009</u>
	<u>38,616,135</u>	<u>76,878,935</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\$98,679,297 (2014: HK\$115,829,834) with an ageing analysis as follows:

The Group	2015	2014
	HK\$	HK\$
Within 30 days	71,903,830	76,083,651
31 to 90 days	22,031,262	31,312,016
91 to 180 days	3,042,678	4,218,803
Over 180 days	<u>1,701,527</u>	<u>4,215,364</u>
	<u>98,679,297</u>	<u>115,829,834</u>

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.

11. DIVIDENDS

	2015	2014
	HK\$	HK\$
Dividends recognised as distribution during the year		
2014 Final — 3.5 HK cents (2013: 3.5 HK cents) per share	32,802,793	33,610,522
2014 Special Cash — 1.0 HK cent (2013: 2.0 HK cents) per share	9,372,227	19,206,013
2015 Interim — 0.5 HK cents (2014: 0.5 HK cents) per share	<u>4,682,909</u>	<u>4,786,669</u>
	<u>46,857,929</u>	<u>57,603,204</u>

A final dividend of 3.0 HK cents per share in respect of the year ended 31 March 2015 (2014: A final dividend of 3.5 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

A final dividend of 3.0 HK cents per share (2014: A final dividend of 3.5 HK cents per share and a special cash dividend of 1.0 HK cent per share) payable to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 1 September 2015 have been proposed by the Board (the “Proposed Dividends”) and is subject to approval by the shareholders in the forthcoming annual general meeting (the “AGM”).

The Proposed Dividend is expected to be paid on or around Friday, 11 September 2015.

ISSUE OF BONUS SHARES

The Board proposes to make a bonus issue of one new share for every ten shares held (2014: Nil) to shareholders whose names appear on the Register of Members on Tuesday, 1 September 2015 (the “Proposed Bonus Shares”). The relevant resolution will be proposed at the AGM, and if passed and upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in such new shares, share certificates of the bonus shares will be posted on or around Friday, 11 September 2015.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM of the Company to be held on Tuesday, 25 August 2015, the Register of Members of the Company will be closed from Tuesday, 18 August 2015 to Tuesday, 25 August 2015 (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 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Monday, 17 August 2015.

For determining the entitlement to the Proposed Dividends and the Proposed Bonus Shares, the Register of Members of the Company will also be closed from Monday, 31 August 2015 to Tuesday, 1 September 2015 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the Proposed Dividends and the Proposed Bonus Shares, 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 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 28 August 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The audited consolidated profit attributable to shareholders of the Group for the year ended 31 March 2015 was HK\$133,074,103 (Year ended 2014: HK\$228,475,853). The basic and diluted earnings per share of the Company for the year ended 31 March 2015 were 14.2 HK cents per share and 14.1 HK cents per share respectively (Year ended 2014: 23.8 HK cents per basic share and 23.6 HK cents per diluted share respectively).

BUSINESS REVIEW

WATCHES MANUFACTURING AND WATCH COMPONENTS

During the period under review, despite extended economic stagnancy in the U.S. and Europe coupled with sign of slowdown in economic growth in China, the Group maintained the turnover and profit margin of its watch manufacturing and watch component trading division through diligent cost and inventory controls.

HOTEL OPERATION

During the year under review, the Group's hotel operation business continued to achieve an increase in turnover and profit. This was attributable to high occupancy rate maintained by the Group's four wholly owned boutique hotels, namely The Putman, 99 Bonham, The Jervois and the newly opened One96 which launched in the fourth quarter of 2014.

PROPERTY DEVELOPMENT AND INVESTMENT

The superstructure work at the Group's wholly owned luxury residential development at 45 Tai Tam Road has begun and the project is expected to be completed in the third quarter of 2016.

Due to a slower hotel market in Hong Kong, only mild capital gains in value for the hotels was recorded during the year under review, as compared with a significant increase in value in the previous financial year.

The site formation work for the Group's boutique office building at 7 St Thomas, Toronto, Canada was completed and the foundation work has commenced.

The conceptual design for the first phrase of the Group's residential / commercial mixed use project at 88 Queen Street East, Toronto, Canada was completed and the interior layout of the suites is being planned.

PROSPECTS

WATCHES MANUFACTURING AND WATCH COMPONENTS

The Group expects that while the U.S. economy continues to recover, the European economic environment remains weak and the decrease of GDP growth in China will have a negative impact on the Hong Kong watch industry as a whole. The Group will focus on marketing its innovative wearables and other outdoor electronics products.

HOTEL OPERATION

The recent reduction of number of tourist from China has had a negative impact on the Hong Kong hotel industry. However, the Group's four boutique hotels cater more to business and professional clients as well as international travellers, and with the improvement of the Hong Kong financial markets, the Group maintains its overall outlook for the coming year being positive.

PROPERTY DEVELOPMENT AND INVESTMENT

The Group is expediting the construction work for the luxury residential development at 45 Tai Tam Road, Hong Kong and the project is targeted to launch by the end of 2016.

The boutique office building at 7 St Thomas, Toronto, Canada will be completed by the end of 2016 and the marketing campaign has been progressing satisfactorily.

The Group is starting work on the detailed architectural design of the phase one residential building of our 88 Queen Street East project in Toronto, Canada. Presale of the phase one residential units are anticipated to begin in the first quarter of 2016. The Group is also preparing to apply for an up-zoning of density for the remaining phases of the subject project.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 March 2015, the Group's total borrowings were approximately HK\$3,126 million (2014: HK\$1,879 million), representing an increase of approximately HK\$1,247 million from last year. The maturity profile spreads over a period of 30 years, with approximately HK\$628 million repayable within one year, approximately HK\$1,833 million within two to five years and HK\$665 million beyond five years.

At the year end date, the Group's gearing ratio was 1.43 (2014: 0.83) which is calculated based on the Group's long-term borrowings of approximately HK\$2,498 million (2014: HK\$1,428 million) and shareholders' funds of approximately HK\$1,744 million (2014: HK\$1,728 million).

As at 31 March 2015, the Group's total bank balances and cash was approximately HK\$440 million (2014: HK\$646 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 2015, 82% of the Group's borrowings were in HKD, 12% in CAD, 4% in USD, and 2% in JPY. As at 31 March 2015, 59% of the Group's bank balances and cash was in HKD, 21% in USD, 14% in CNY, 5% in JPY, and 1% in CAD.

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 2015, certain properties of the Group of approximately HK\$4,232 million (2014: HK\$2,548 million) were pledged to secure banking facilities for the Group.

Employees

As at 31 March 2015, the Group employed approximately 1,000 employees in Hong Kong, the PRC and other overseas countries. The staff costs for the year including directors' emoluments amounted to approximately HK\$125 million (2014: HK\$145 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 5,140,000 (2014: 36,156,000) 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\$	
May 2014	3,420,000	0.88	0.86	2,980,434
July 2014	64,000	0.91	0.91	58,449
September 2014	516,000	0.98	0.98	507,491
October 2014	126,000	0.99	0.98	124,576
December 2014	284,000	0.99	0.98	280,252
January 2015	414,000	1.01	0.99	414,585
February 2015	<u>316,000</u>	0.99	0.99	<u>313,960</u>
	<u>5,140,000</u>			<u>4,679,747</u>

CORPORATE GOVERNANCE

During the year ended 31 March 2015, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 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 2015.

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 2015 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, 26 June 2015

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.