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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 2017

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 2017 and the audited consolidated financial position as at 31 March 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2017

	<i>NOTES</i>	2017 HK\$	2016 HK\$
Revenue	3	1,008,976,044	1,149,450,963
Cost of sales		(856,895,935)	(969,484,275)
Gross profit		152,080,109	179,966,688
Other income and gains	4	65,474,246	318,949,438
Increase in fair value of investment properties		191,236,610	2,215,065
Distribution costs		(10,007,956)	(8,797,676)
Administrative expenses		(153,506,173)	(174,129,557)
Finance costs	5	(75,794,029)	(67,189,564)
Share of result of an associate		(160,370)	(97,022)
Share of results of joint ventures		(654,156)	515,911
Profit before taxation	6	168,668,281	251,433,283
Income tax expense	7	(23,509,454)	(6,702,328)
Profit for the year		<u>145,158,827</u>	<u>244,730,955</u>
Earnings per share	8		
Basic		<u>14.3 HK cents</u>	<u>23.8 HK cents</u>
Diluted		<u>14.2 HK cents</u>	<u>23.7 HK cents</u>
Dividend per share			
— Final dividend and special cash dividend proposed after the end of the reporting period	12	<u>4.0 HK cents</u>	<u>4.0 HK cents</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 MARCH 2017

	2017	2016
	HK\$	HK\$
Profit for the year	145,158,827	244,730,955
Other comprehensive expense		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit obligation	<u>2,012,156</u>	<u>(1,072,881)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations	(11,309,355)	(5,847,582)
Fair value gain on available-for-sale investments	<u>1,230,000</u>	<u>4,400,000</u>
	<u>(10,079,355)</u>	<u>(1,447,582)</u>
Other comprehensive expense for the year	<u>(8,067,199)</u>	<u>(2,520,463)</u>
Total comprehensive income for the year	<u>137,091,628</u>	<u>242,210,492</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	<i>NOTES</i>	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Non-current assets			
Investment properties		3,391,985,288	2,685,101,069
Property, plant and equipment		421,020,713	555,747,218
Prepaid lease payments		2,641,284	2,709,249
Goodwill		1,269,932	1,269,932
Interest in an associate		7,568,875	7,729,245
Interests in joint ventures		368,830,039	369,484,195
Available-for-sale investments		27,430,000	26,200,000
Held-to-maturity investments		2,995,166	3,172,084
Deferred tax assets		1,687,965	2,793,474
		<u>4,225,429,262</u>	<u>3,654,206,466</u>
Current assets			
Inventories		128,626,623	185,231,808
Prepaid lease payments		67,965	67,965
Financial assets at fair value through profit or loss		97,969,573	100,168,054
Inventory of unsold properties		5,987,722	6,101,766
Properties under development for sale		603,844,522	267,095,549
Bills receivables	9	766,500	649,331
Trade receivables, deposits and prepayments	10	475,588,985	269,770,613
Amount due from a joint venture		40,149,822	29,649,822
Tax recoverable		277,653	3,767,778
Bank balances and cash		401,039,104	692,018,954
		<u>1,754,318,469</u>	<u>1,554,521,640</u>

	<i>NOTES</i>	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Current liabilities			
Trade and bills payables	11	131,710,835	161,291,543
Customers' deposits		286,768,498	122,875,252
Accrued expenses and other payables		93,188,501	139,072,649
Amount due to an associate		4,555,148	46,815,748
Amount due to a joint venture		—	73,582,829
Tax payable		2,346,164	2,340,956
Derivative financial instruments		913,765	—
Obligations under finance leases		4,120,363	3,996,276
Bank loans		1,051,487,376	639,837,224
		1,575,090,650	1,189,812,477
Net current assets		179,227,819	364,709,163
Total assets less current liabilities		4,404,657,081	4,018,915,629
Capital and reserves			
Share capital		101,720,696	101,988,896
Reserves		1,931,431,751	1,842,444,410
Total equity		2,033,152,447	1,944,433,306
Non-current liabilities			
Provision for long service payments		4,740,939	6,894,396
Obligations under finance leases		20,354,189	24,474,552
Bank loans		2,305,309,238	2,023,943,056
Deferred tax liabilities		41,100,268	19,170,319
		2,371,504,634	2,074,482,323
		4,404,657,081	4,018,915,629

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1. BASIS OF PREPARATION

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

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

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 the consolidated financial statements.

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ⁵
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
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 7	Disclosure Initiative ⁴

Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴
Amendments to HKAS 40	Transfers of Investment Property ¹
HK (IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration ¹

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

² Effective for annual periods beginning on or after 1 January 2019.

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 2017.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

At 31 March 2017, the Group has non-cancellable operating lease commitments. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

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

3. REVENUE AND SEGMENT INFORMATION

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 segments:

For the year ended 31 March 2017

	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>890,625,248</u>	<u>19,307,848</u>	<u>99,042,948</u>	<u>1,008,976,044</u>
RESULT				
Segment result	<u>7,366,850</u>	<u>161,181,244</u>	<u>53,355,541</u>	221,903,635
Bank interest income				1,698,991
Bargain purchase gain arising on acquisition of a subsidiary				8,721,974
Unallocated other income				52,516,538
Unallocated other expenses				(39,564,302)
Finance costs				(75,794,029)
Share of result of an associate				(160,370)
Share of results of joint ventures				<u>(654,156)</u>
Profit before taxation				168,668,281
Income tax expense				<u>(23,509,454)</u>
Profit for the year				<u>145,158,827</u>

For the year ended 31 March 2016

	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>1,047,311,342</u>	<u>8,312,724</u>	<u>93,826,897</u>	<u>1,149,450,963</u>
RESULT				
Segment result	<u>10,146,735</u>	<u>10,407,003</u>	<u>59,367,790</u>	79,921,528
Bank interest income				3,528,987
Gain on disposal of subsidiaries				294,870,249
Unallocated other income				11,362,568
Unallocated other expenses				(71,479,374)
Finance costs				(67,189,564)
Share of result of an associate				(97,022)
Share of results of joint ventures				<u>515,911</u>
Profit before taxation				251,433,283
Income tax expense				<u>(6,702,328)</u>
Profit for the year				<u>244,730,955</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, bargain purchase gain arising on acquisition of a subsidiary, gain on disposal of subsidiaries, share of results of associate 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 segments:

Segment assets

	2017 HK\$	2016 HK\$
Manufacture of watches and trading of watch movements	272,415,847	332,463,914
Property development and investment	2,187,798,723	1,113,531,264
Hotel operation	1,974,949,177	1,971,757,732
Total segment assets	4,435,163,747	3,417,752,910
Interest in an associate	7,568,875	7,729,245
Interests in joint ventures	368,830,039	369,484,195
Amount due from a joint venture	40,149,822	29,649,822
Unallocated	1,128,035,248	1,384,111,934
Consolidated assets	5,979,747,731	5,208,728,106

Segment liabilities

	2017 HK\$	2016 HK\$
Manufacture of watches and trading of watch movements	155,795,121	191,402,036
Property development and investment	332,269,703	184,710,775
Hotel operation	14,648,536	22,750,198
Total segment liabilities	502,713,360	398,863,009
Amount due to an associate	4,555,148	46,815,748
Amount due to a joint venture	—	73,582,829
Unallocated	3,439,326,776	2,745,033,214
Consolidated liabilities	3,946,595,284	3,264,294,800

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

- all assets are allocated to operating segments other than interest in an associate, interests in joint ventures, amount due from a joint venture, available-for-sale investments, held-to-maturity investments, 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 bank loans, tax payable, amount due to an associate, amount due to a joint venture, deferred tax liabilities and other unallocated corporate liabilities.

Other segment information

For the year ended 31 March 2017

	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	4,497,005	752,150,490	5,254,654	1,787,439	763,689,588
Depreciation of property, plant and equipment	9,741,853	748,320	1,781,421	16,216,897	28,488,491
Amortisation of prepaid lease payments	67,965	—	—	—	67,965
Impairment loss reversed in respect of trade receivables	2,486,923	—	—	—	2,486,923
Write-down of inventories	2,224,960	—	—	—	2,224,960
Increase in fair value of investment properties	—	191,236,610	—	—	191,236,610
Gain/(loss) on disposal of property, plant and equipment	<u>(1,560)</u>	<u>(531,173)</u>	<u>—</u>	<u>44,851,411</u>	<u>44,318,678</u>

For the year ended 31 March 2016

	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	19,265,409	40,528,775	928,698	5,240,423	65,963,305
Depreciation of property, plant and equipment	16,237,860	621,032	524,980	18,016,813	35,400,685
Amortisation of prepaid lease payments	67,965	—	—	—	67,965
Impairment loss recognised in respect of trade receivables	8,037,840	—	—	—	8,037,840
Write-down of inventories	5,866,664	—	—	—	5,866,664
Increase in fair value of investment properties	—	2,215,065	—	—	2,215,065
Gain/(loss) on disposal of property, plant and equipment	<u>253,925</u>	<u>6,073,905</u>	<u>—</u>	<u>(24,857)</u>	<u>6,302,973</u>

Revenue from major products and services

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

	2017 HK\$	2016 HK\$
Watches and watch movements	890,625,248	1,047,311,342
Leasing of properties	14,057,848	8,312,724
Property management service	5,250,000	—
Hotel operation	99,042,948	93,826,897
	<u>1,008,976,044</u>	<u>1,149,450,963</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	
	2017 HK\$	2016 HK\$	2017 HK\$	2016 HK\$
Hong Kong and the PRC	949,862,955	1,049,586,223	3,653,225,705	3,007,393,814
North America	32,266,238	65,974,156	540,090,426	614,647,094
Europe	16,869,189	16,848,164	—	—
Others	9,977,662	17,042,420	—	—
	<u>1,008,976,044</u>	<u>1,149,450,963</u>	<u>4,193,316,131</u>	<u>3,622,040,908</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 revenue of the Group are as follows:

	2017	2016
	HK\$	HK\$
Customer A ¹	283,366,230	376,511,678
Customer B ¹	<u>202,462,764</u>	<u>204,565,541</u>

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

4. OTHER INCOME AND GAINS

	2017	2016
	HK\$	HK\$
Bank interest income	1,698,991	3,528,987
Interest income from held-to-maturity investments	95,366	322,236
Gain on fair value changes of financial assets at fair value through profit or loss	7,172,460	11,187,854
Gain on disposal of property, plant and equipment	44,318,678	6,302,973
Gain on disposal of subsidiaries	—	294,870,249
Bargain purchase gain arising on acquisition of a subsidiary	8,721,974	—
Sundry income	<u>3,466,777</u>	<u>2,737,139</u>
	<u>65,474,246</u>	<u>318,949,438</u>

5. FINANCE COSTS

	2017	2016
	HK\$	HK\$
Interest on:		
Bank loans and overdrafts	94,303,754	98,854,755
Obligations under finance leases	<u>1,117,423</u>	<u>1,282,851</u>
Total borrowing costs	95,421,177	100,137,606
Less: Amounts capitalised to investment properties and properties under development	<u>(19,627,148)</u>	<u>(32,948,042)</u>
	<u>75,794,029</u>	<u>67,189,564</u>

6. PROFIT BEFORE TAXATION

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Profit before taxation has been arrived at after charging/(crediting):		
Staff costs including directors' emoluments	113,887,050	144,161,936
Depreciation of property, plant and equipment	28,488,491	35,400,685
Amortisation of prepaid lease payments	67,965	67,965
Auditors' remuneration	2,611,569	2,728,357
Cost of inventories recognised as an expense	801,024,838	888,108,230
Impairment loss (reversed)/recognised in respect of trade receivables (included in administrative expenses on consolidated statement of profit or loss)	(2,486,923)	8,037,840
Net foreign exchange loss	10,479,224	11,623,457
Loss on fair value changes of derivative financial instruments	913,765	—
Minimum lease payments for operating leases in respect of land and buildings	11,368,631	6,292,784
Write-down of inventories	2,224,960	5,866,664
Gross rental income from investment properties	(113,100,796)	(102,139,621)
Less: Outgoings	<u>16,968,503</u>	<u>12,138,858</u>
Net rental income from investment properties	<u>(96,132,293)</u>	<u>(90,000,763)</u>

Minimum lease payments for operating leases in respect of staff quarters amounting to HK\$6,000,000 (2016: HK\$4,319,310) are included in staff costs.

7. INCOME TAX EXPENSE

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Hong Kong Profits Tax		
Current year	500,234	2,466,781
Over provision in prior years	<u>(128,199)</u>	<u>(1,750,688)</u>
	372,035	716,093
Other jurisdictions		
Current year	<u>48,633</u>	<u>29,643</u>
	420,668	745,736
Deferred tax		
Current year	<u>23,088,786</u>	<u>5,956,592</u>
	<u><u>23,509,454</u></u>	<u><u>6,702,328</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits 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:

	2017 HK\$	2016 HK\$
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	<u>145,158,827</u>	<u>244,730,955</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,018,596,332	1,026,258,988
Effect of dilutive potential ordinary shares:		
Share options	<u>6,968,270</u>	<u>7,110,895</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,025,564,602</u>	<u>1,033,369,883</u>

9. BILLS RECEIVABLES

Bills receivables of HK\$766,500 (2016: HK\$649,331) which are aged within 30 days.

10. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 HK\$	2016 HK\$
Trade receivables	35,075,961	51,282,429
Less: allowance for doubtful debts	<u>(15,339,720)</u>	<u>(17,829,722)</u>
	19,736,241	33,452,707
Deposits and prepayments	252,379,165	127,555,082
Advance payment to suppliers	5,268,298	5,953,782
Consideration receivable	168,000,000	72,191,298
Other receivables	<u>30,205,281</u>	<u>30,617,744</u>
Total trade receivable, deposits and prepayments	<u>475,588,985</u>	<u>269,770,613</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 doubtful debts presented based on the invoice date at the end of the reporting period:

	2017 HK\$	2016 HK\$
Within 30 days	15,918,379	26,684,651
31 to 90 days	1,014,506	6,023,159
91 to 180 days	2,151,317	95,574
Over 180 days	<u>652,039</u>	<u>649,323</u>
	<u>19,736,241</u>	<u>33,452,707</u>

11. TRADE AND BILLS PAYABLES

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

	2017 HK\$	2016 HK\$
Within 30 days	102,137,055	128,877,088
31 to 90 days	22,306,084	23,409,532
91 to 180 days	1,755,407	3,712,930
Over 180 days	<u>5,512,289</u>	<u>5,291,993</u>
	<u>131,710,835</u>	<u>161,291,543</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.

12. DIVIDENDS

	2017 HK\$	2016 HK\$
Dividends recognised as distribution during the year		
2016 Final — 3.0 HK cents (2015: 3.0 HK cents) per share	30,567,929	28,036,935
2016 Special Cash — 1.0 HK cent per share	10,189,310	—
2017 Interim — 0.5 HK cent (2016: 0.5 HK cent) per share	<u>5,094,590</u>	<u>5,132,061</u>
	<u>45,851,829</u>	<u>33,168,996</u>

A final dividend of 3.0 HK cents (2016: 3.0 HK cents) per share and a special cash dividend of 1.0 HK cent (2016: 1.0 HK cent) per share in respect of the year ended 31 March 2017 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 and a special cash dividend of 1.0 HK cent per share (Year ended 31 March 2016: 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 Thursday, 31 August 2017 have been proposed by the Board (the “Proposed Dividends”) and is 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 Thursday, 24 August 2017, the Register of Members of the Company will be closed from Thursday, 17 August 2017 to Thursday, 24 August 2017 (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 Wednesday, 16 August 2017.

For determining the entitlement to the Proposed Dividends, the Register of Members of the Company will also be closed from Wednesday, 30 August 2017 to Thursday, 31 August 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the Proposed Dividends, 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 Tuesday, 29 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The audited consolidated profit attributable to shareholders of the Group for the year ended 31 March 2017 was HK\$145,158,827 (Year ended 2016: HK\$244,730,955). The basic and diluted earnings per share of the Company for the year ended 31 March 2017 were 14.3 HK cents per share and 14.2 HK cents per share respectively (Year ended 2016: 23.8 HK cents per basic share and 23.7 HK cents per diluted share respectively).

BUSINESS REVIEW

WATCHES MANUFACTURING AND WATCH COMPONENTS

During the period under review, worldwide demand for watches in general continued to remain weak, and as a result the sales revenue and profit margin for the Group’s watch manufacturing and watch components trading division decreased.

HOTEL OPERATION

Even though the hospitality market faced significant headwinds, the turnover and profit for the Group’s hotel operation business remained steady as compared with the same period in the last financial year.

PROPERTY DEVELOPMENT AND INVESTMENT

The Group's boutique commercial development 7 St. Thomas Toronto, Canada obtained its occupation permit and final closing is expected on or before 30 September 2017.

During the period under review, the Group also benefited from the strong residential property market in Toronto.

PROSPECTS

WATCHES MANUFACTURING AND WATCH COMPONENTS

The downward trend for worldwide demand for watches is expected to continue and the Group is streamlining its manufacturing facilities to further reduce their costs.

HOTEL OPERATION

The Group's hotels have further expanded its operational changes to offer an enhanced level of service and amenities as demand for the Group's hotels remains strong. The Group will focus its efforts on creating a balance between short and long staying guests to maximize occupancy and rates.

PROPERTY DEVELOPMENT AND INVESTMENT

On 23 May 2017, the Group entered into a formal Sale & Purchase agreement with an independent third party to purchase all its shares and sale loan of a company that owns the entire interest of 15/F, One Island South, No. 2 Heung Yip Road, Hong Kong for a consideration of HK\$375 million subject to adjustments. One Island South is a grade A office building directly opposite the newly opened Wong Chuk Hang MTR Station. The transaction is expected to be completed on or before 22 September 2017.

The interior decoration of the Group's Joint Venture project with BPE Asia Real Estate Fund L.P. for seven luxurious villas at 45 Tai Tam Road is under way and completion is targeted to be in the fourth quarter of 2017.

Architectural design and site planning for the Group's luxurious residential project at No. 3 South Bay Close is in progress and the application for demolition of the existing building as well as hoarding have been submitted.

The Group intends to keep the remaining commercial townhouse at its boutique commercial development, 7 St. Thomas Toronto, Canada as its North American headquarters. The rest of the units in the project were already completely sold out.

The excavation work for Phase 1 of the Group's mixed use development at 88 Queen Street East in Toronto has already commenced and the Group has recently submitted rezoning application for slightly higher residential and commercial density for Phase 2 and Phase 3 of this project.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 March 2017, the Group's total borrowings were approximately HK\$3,357 million (2016: HK\$2,664 million), representing an increase of approximately HK\$693 million from last year. The maturity profile spreads over a period of 30 years, with approximately HK\$1,051 million repayable within one year, approximately HK\$1,996 million within two to five years and HK\$310 million beyond five years.

At the year end date, the Group's gearing ratio was 1.13 (2016: 1.04) which is calculated based on the Group's long-term borrowings of approximately HK\$2,306 million (2016: HK\$2,024 million) and shareholders' funds of approximately HK\$2,033 million (2016: HK\$1,944 million).

As at 31 March 2017, the Group's total bank balances and cash was approximately HK\$401 million (2016: HK\$692 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 2017, 80% of the Group's borrowings were in HKD, 14% in CAD, 3% in USD, and 3% in JPY. As at 31 March 2017, 41% of the Group's bank balances and cash was in HKD, 27% in USD, 20% in JPY, 8% in CNY, and 4% 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 2017, certain properties and bank deposits of the Group of approximately HK\$4,404 million (2016: HK\$3,339 million) were pledged to secure banking facilities for the Group.

Employees

As at 31 March 2017, the Group employed approximately 400 employees in Hong Kong, the PRC and other overseas countries. The staff costs for the year including directors' emoluments amounted to approximately HK\$114 million (2016: HK\$144 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 2,682,000 (2016: 9,134,000) 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	Lowest	
		HK\$	HK\$	
May 2016	958,000	0.89	0.88	849,067
October 2016	14,000	0.93	0.93	13,135
December 2016	1,140,000	0.96	0.96	1,098,432
January 2017	<u>570,000</u>	1.00	0.97	<u>560,024</u>
	<u>2,682,000</u>			<u>2,520,658</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 ("ESG Report") to be issued separately pursuant to Rule 13.91 and Appendix 27 to the Listing Rules.

CORPORATE GOVERNANCE

During the year ended 31 March 2017, 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 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 2017.

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 2017 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, 29 June 2017

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.