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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 2018

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 2018 and the audited consolidated statement of financial position as at 31 March 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2018

	NOTES	2018 HK\$	2017 HK\$
Revenue	3	1,405,711,077	1,008,976,044
Cost of sales		(1,231,016,363)	(856,895,935)
Gross profit		174,694,714	152,080,109
Other income and gains	4	77,450,333	65,474,246
Increase in fair value of investment properties		246,758,357	191,236,610
Distribution costs		(10,809,965)	(10,007,956)
Administrative expenses		(159,006,311)	(153,506,173)
Finance costs	5	(76,025,841)	(75,794,029)
Share of result of an associate		(92,515)	(160,370)
Share of results of joint ventures		1,303,271	(654,156)
Profit before taxation	6	254,272,043	168,668,281
Income tax expense	7	(35,563,113)	(23,509,454)
Profit for the year		<u>218,708,930</u>	<u>145,158,827</u>
Earnings per share	8		
Basic		<u>21.5 HK cents</u>	<u>14.3 HK cents</u>
Diluted		<u>21.3 HK cents</u>	<u>14.2 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 2018

	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Profit for the year	218,708,930	145,158,827
Other comprehensive income/(expense)		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit obligation	<u>1,775,105</u>	<u>2,012,156</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations	23,020,416	(11,309,355)
Fair value (loss)/gain on available-for-sale investments	<u>(1,230,000)</u>	<u>1,230,000</u>
	<u>21,790,416</u>	<u>(10,079,355)</u>
Other comprehensive income/(expense) for the year	<u>23,565,521</u>	<u>(8,067,199)</u>
Total comprehensive income for the year	<u>242,274,451</u>	<u>137,091,628</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	<i>NOTES</i>	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Non-current assets			
Investment properties		3,652,884,300	3,391,985,288
Property, plant and equipment		464,554,299	421,020,713
Prepaid lease payments		2,573,319	2,641,284
Goodwill		1,269,932	1,269,932
Interest in an associate		7,476,360	7,568,875
Interests in joint ventures		370,133,310	368,830,039
Available-for-sale investments		26,200,000	27,430,000
Held-to-maturity investments		3,483,194	2,995,166
Deferred tax assets		3,448,974	1,687,965
		<u>4,532,023,688</u>	<u>4,225,429,262</u>
Current assets			
Inventories		165,510,507	128,626,623
Prepaid lease payments		67,965	67,965
Financial assets at fair value through profit or loss		157,199,165	97,969,573
Inventory of unsold properties		6,173,515	5,987,722
Properties under development for sale		396,496,623	603,844,522
Bills receivables	9	666,673	766,500
Trade receivables, deposits and prepayments	10	81,020,491	475,588,985
Amount due from a joint venture		41,651,822	40,149,822
Tax recoverable		523,216	277,653
Bank balances and cash		864,809,741	401,039,104
		<u>1,714,119,718</u>	<u>1,754,318,469</u>

	<i>NOTES</i>	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Current liabilities			
Trade and bills payables	11	126,270,695	131,710,835
Customers' deposits		227,132,990	286,768,498
Accrued expenses and other payables		98,010,840	93,188,501
Amount due to an associate		4,555,148	4,555,148
Tax payable		13,858,028	2,346,164
Derivative financial instruments		224,999	913,765
Obligations under finance leases		4,155,476	4,120,363
Bank loans		772,764,477	1,051,487,376
		<u>1,246,972,653</u>	<u>1,575,090,650</u>
Net current assets		<u>467,147,065</u>	<u>179,227,819</u>
Total assets less current liabilities		<u>4,999,170,753</u>	<u>4,404,657,081</u>
Capital and reserves			
Share capital		102,806,496	101,720,696
Reserves		2,129,711,303	1,931,431,751
Total equity		<u>2,232,517,799</u>	<u>2,033,152,447</u>
Non-current liabilities			
Provision for long service payments		2,954,498	4,740,939
Obligations under finance leases		16,198,714	20,354,189
Bank loans		2,679,999,609	2,305,309,238
Deferred tax liabilities		67,500,133	41,100,268
		<u>2,766,652,954</u>	<u>2,371,504,634</u>
		<u>4,999,170,753</u>	<u>4,404,657,081</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. BASIS OF PREPARATION

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

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

2. APPLICATION OF NEW AND REVISED 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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

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 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure, the application of these amendments has had no impact on the Group’s 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 15	Revenue from Contracts with Customers and the Related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contract ³
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 <i>Financial Instruments</i> with HKFRS 4 <i>Insurance Contracts</i> ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ²

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 1 January 2021.

⁴ Effective for annual periods beginning on or after a date to be determined.

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 segment:

For the year ended 31 March 2018

	Manufacture of watches and trading of watch movements	Property development and investment	Hotel operation	Consolidated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
REVENUE				
External sales	<u>832,357,105</u>	<u>448,593,900</u>	<u>124,760,072</u>	<u>1,405,711,077</u>
RESULT				
Segment result	<u>6,468,022</u>	<u>229,553,573</u>	<u>74,067,365</u>	310,088,960
Bank interest income				2,970,006
Gain on disposal of an investment property				7,497,270
Gain on disposal of subsidiaries				4,152,518
Unallocated other income				55,473,502
Unallocated other expenses				(51,095,128)
Finance costs				(76,025,841)
Share of result of an associate				(92,515)
Share of results of joint ventures				<u>1,303,271</u>
Profit before taxation				254,272,043
Income tax expense				<u>(35,563,113)</u>
Profit for the year				<u>218,708,930</u>

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>

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 an investment property, gain on disposal of subsidiaries, share of results of an 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 segment:

Segment assets

	2018	2017
	HK\$	HK\$
Manufacture of watches and trading of watch movements	284,367,456	272,415,847
Property development and investment	2,055,675,651	2,187,798,723
Hotel operation	1,991,023,476	<u>1,974,949,177</u>
Total segment assets	4,331,066,583	4,435,163,747
Interest in an associate	7,476,360	7,568,875
Interests in joint ventures	370,133,310	368,830,039
Amount due from a joint venture	41,651,822	40,149,822
Unallocated	1,495,815,331	<u>1,128,035,248</u>
Consolidated assets	6,246,143,406	<u>5,979,747,731</u>

Segment liabilities

	2018	2017
	HK\$	HK\$
Manufacture of watches and trading of watch movements	138,501,586	155,795,121
Property development and investment	289,247,987	332,269,703
Hotel operation	15,112,326	<u>14,648,536</u>
Total segment liabilities	442,861,899	502,713,360
Amount due to an associate	4,555,148	4,555,148
Unallocated	3,566,208,560	<u>3,439,326,776</u>
Consolidated liabilities	4,013,625,607	<u>3,946,595,284</u>

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, deferred tax liabilities and other unallocated corporate liabilities.

Other segment information

For the year ended 31 March 2018

	Manufacture of watches and trading of watch movements	Property development and investment	Hotel operation	Unallocated	Consolidated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Capital additions	2,796,018	746,819,966	1,863,829	256,488	751,736,301
Depreciation of property, plant and equipment	9,095,093	1,688,473	1,896,444	13,796,509	26,476,519
Amortisation of prepaid lease payments	67,965	—	—	—	67,965
Write-down of inventories	8,708,512	—	—	—	8,708,512
Increase in fair value of investment properties	—	246,758,357	—	—	246,758,357
Gain/(Loss) on disposal of property, plant and equipment	<u>3,201,713</u>	<u>(723,894)</u>	<u>—</u>	<u>—</u>	<u>2,477,819</u>

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>

Revenue from major products and services

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

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Watches and watch movements	832,357,105	890,625,248
Leasing of properties	7,194,935	14,057,848
Sale of properties	440,523,965	—
Property management service	875,000	5,250,000
Hotel operation	124,760,072	99,042,948
	<u>1,405,711,077</u>	<u>1,008,976,044</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	
	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$
Hong Kong and the PRC	926,844,018	949,862,955	3,846,368,811	3,653,225,705
North America	448,397,936	32,266,238	608,322,709	540,090,426
Europe	9,285,689	16,869,189	44,200,000	—
Others	21,183,434	9,977,662	—	—
	<u>1,405,711,077</u>	<u>1,008,976,044</u>	<u>4,498,891,520</u>	<u>4,193,316,131</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:

	2018	2017
	HK\$	HK\$
Customer A ¹	212,859,256	283,366,230
Customer B ¹	<u>173,656,512</u>	<u>202,462,764</u>

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

4. OTHER INCOME AND GAINS

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Bank interest income	2,970,006	1,698,991
Interest income from held-to-maturity investments	95,570	95,366
Gain on fair value changes of derivative financial instruments	512,149	—
Gain on fair value changes of financial assets at fair value through profit or loss	27,675,979	7,172,460
Gain on disposal of an investment property	7,497,270	—
Gain on disposal of property, plant and equipment	2,477,819	44,318,678
Gain on disposal of subsidiaries	4,152,518	—
Net foreign exchange gains	13,870	—
Reversal of impairment loss on property, plant and equipment	25,400,000	—
Bargain purchase gain arising on acquisition of a subsidiary	—	8,721,974
Sundry income	6,655,152	3,466,777
	<u>77,450,333</u>	<u>65,474,246</u>

5. FINANCE COSTS

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Interest on:		
Bank loans and overdrafts	105,552,647	94,303,754
Obligations under finance leases	954,394	1,117,423
	<u>106,507,041</u>	95,421,177
Total borrowing costs	106,507,041	95,421,177
Less: Amounts capitalised to investment properties and properties under development	<u>(30,481,200)</u>	<u>(19,627,148)</u>
	<u>76,025,841</u>	<u>75,794,029</u>

6. PROFIT BEFORE TAXATION

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Profit before taxation has been arrived at after charging/(crediting):		
Staff costs including directors' emoluments	103,887,009	113,887,050
Depreciation of property, plant and equipment	26,476,519	28,488,491
Amortisation of prepaid lease payments	67,965	67,965
Auditors' remuneration	2,932,538	2,611,569
Cost of inventories recognised as an expense	785,372,696	801,024,838
Impairment loss reversed in respect of trade receivables (included in administrative expenses on consolidated statement of profit or loss)	—	(2,486,923)
Impairment loss recognised in respect of other receivables (included in administrative expenses on consolidated statement of profit or loss)	7,950,096	—
Net foreign exchange loss	—	10,479,224
Loss on fair value changes of derivative financial instruments	—	913,765
Minimum lease payments for operating leases in respect of land and buildings	12,159,783	11,368,631
Write-down of inventories	8,708,512	2,224,960
Gross rental income from investment properties	(131,955,008)	(113,100,796)
Less: Outgoings	15,898,745	16,968,503
Net rental income from investment properties	<u>(116,056,263)</u>	<u>(96,132,293)</u>

Minimum lease payments for operating leases in respect of staff quarters amounting to HK\$6,065,226 (2017: HK\$6,000,000) are included in staff costs.

7. INCOME TAX EXPENSE

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Hong Kong Profits Tax		
Current year	4,669,269	500,234
Under/(Over) provision in prior years	<u>358,181</u>	<u>(128,199)</u>
	5,027,450	372,035
Other jurisdictions		
Current year	<u>6,814,925</u>	<u>48,633</u>
	11,842,375	420,668
Deferred tax		
Current year	<u>23,720,738</u>	<u>23,088,786</u>
	<u><u>35,563,113</u></u>	<u><u>23,509,454</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:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	<u>218,708,930</u>	<u>145,158,827</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,016,927,499	1,018,596,332
Effect of dilutive potential ordinary shares:		
Share options	<u>7,839,368</u>	<u>6,968,270</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,024,766,867</u>	<u>1,025,564,602</u>

9. BILLS RECEIVABLES

Bills receivables of HK\$666,673 (2017: HK\$766,500) which are aged within 30 days.

10. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Trade receivables	48,618,378	35,075,961
Less: allowance for doubtful debts	<u>(15,395,496)</u>	<u>(15,339,720)</u>
	33,222,882	19,736,241
Deposits and prepayments	30,573,464	252,379,165
Advance payment to suppliers	8,110,168	5,268,298
Consideration receivable	—	168,000,000
Other receivables	<u>9,113,977</u>	<u>30,205,281</u>
Total trade receivable, deposits and prepayments	<u>81,020,491</u>	<u>475,588,985</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:

	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Within 30 days	32,511,528	15,918,379
31 to 90 days	55,607	1,014,506
91 to 180 days	743	2,151,317
Over 180 days	655,004	652,039
	<u>33,222,882</u>	<u>19,736,241</u>

11. TRADE AND BILLS PAYABLES

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

	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Within 30 days	101,596,579	102,137,055
31 to 90 days	19,478,000	22,306,084
91 to 180 days	1,279,076	1,755,407
Over 180 days	3,917,040	5,512,289
	<u>126,270,695</u>	<u>131,710,835</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

	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Dividends recognised as distribution during the year		
2017 Final — 3.0 HK cents (2016: 3.0 HK cents) per share	30,516,209	30,567,929
2017 Special Cash — 1.0 HK cent (2016: 1.0 HK cent) per share	10,172,070	10,189,310
2018 Interim — 0.5 HK cent (2017: 0.5 HK cent) per share	<u>5,082,350</u>	<u>5,094,590</u>
	<u>45,770,629</u>	<u>45,851,829</u>

A final dividend of 3.0 HK cents (2017: 3.0 HK cents) per share and a special cash dividend of 1.0 HK cent (2017: 1.0 HK cent) per share in respect of the year ended 31 March 2018 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 2017: 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 Tuesday, 4 September 2018 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 Tuesday, 28 August 2018, the Register of Members of the Company will be closed from Tuesday, 21 August 2018 to Tuesday, 28 August 2018 (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, 20 August 2018.

For determining the entitlement to the Proposed Dividends, the Register of Members of the Company will also be closed from Monday, 3 September 2018 to Tuesday, 4 September 2018 (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 Friday, 31 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The audited consolidated profit attributable to shareholders of the Group for the year ended 31 March 2018 was HK\$218,708,930 (Year ended 2017: HK\$145,158,827). The basic and diluted earnings per share of the Company for the year ended 31 March 2018 were 21.5 HK cents per share and 21.3 HK cents per share respectively (Year ended 2017: 14.3 HK cents per basic share and 14.2 HK cents per diluted share respectively).

BUSINESS REVIEW

WATCHES MANUFACTURING AND WATCH COMPONENTS

During the period under review, the Group’s watch manufacturing and trading division recorded slight decrease in turnover and profit.

HOTEL OPERATION

The Group consolidated its four boutique hotels under the National Hotels umbrella and subsequently upgraded the amenities, servicing, etc. The resulting room rates, profit margins and occupancy rates all achieved satisfactory gain over the previous financial year.

PROPERTY DEVELOPMENT AND INVESTMENT

On 16 March 2018, the Group disposed of 100% of its interest in its wholly owned subsidiary that owns the entire interest of 15/F, One Island South, No.2 Heung Yip Road, Hong Kong and the result was satisfactory.

On December 2017, the Group completed the final closing of 7 St. Thomas, its boutique commercial development in Toronto, Canada.

The foundation work for Phase 1 of the Group's multi-phased mixed use development at 88 Queen Street East in Toronto, Canada was completed and superstructure construction of the tower has commenced.

During the period under review, the Group's investment properties benefited from the favorable property markets in Hong Kong and Toronto and recorded increases in their fair values.

PROSPECTS

WATCHES MANUFACTURING AND WATCH COMPONENTS

Due to the uncertainty of world trade environment, the Group is putting more resources to maintain the demand of its watch and watch component products.

HOTEL OPERATIONS

The Group continues to promote the branding of its four boutique hotels under National Hotels, with an objective to further improve its revenue and profit margin.

PROPERTY DEVELOPMENT AND INVESTMENT

The fitting out work for the Group's joint venture project with BPE Asia Real Estate Fund L.P. for seven luxurious villas at 45 Tai Tam Road, Hong Kong has been completed and the Group is currently preparing for marketing launch.

The Group has commenced its building plans application with the Hong Kong Buildings Department for the Group's luxurious residential project at 3 South Bay Close, Repulse Bay and demolition of the existing building is in progress.

As for the Group's 88 Queen Street East, Toronto, Canada project, the construction of the Phase 1 residential tower is scheduled to be completed by the end of 2019. The rezoning application for additional residential and commercial density for Phase 2 and Phase 3 of this project has received initial approval.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 March 2018, the Group's total borrowings were approximately HK\$3,453 million (2017: HK\$3,357 million), representing an increase of approximately HK\$96 million from last year. The maturity profile spreads over a period of 30 years, with approximately HK\$773 million repayable within one year, approximately HK\$2,143 million within two to five years and HK\$537 million beyond five years.

At the year end date, the Group's gearing ratio was 1.20 (2017: 1.13) which is calculated based on the Group's long-term borrowings of approximately HK\$2,680 million (2017: HK\$2,305 million) and shareholders' funds of approximately HK\$2,233 million (2017: HK\$2,033 million).

As at 31 March 2018, the Group's total bank balances and cash was approximately HK\$865 million (2017: HK\$401 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 2018, 84% of the Group's borrowings were in HKD, 10% in CAD, 3% in USD, and 3% in JPY. As at 31 March 2018, 53% of the Group's bank balances and cash was in HKD, 19% in USD, 19% in CAD, 5% in JPY, and 4% in CNY.

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 2018, certain properties and time deposit of the Group of approximately HK\$4,334 million (2017: HK\$4,404 million) were pledged to secure banking facilities for the Group.

Employees

As at 31 March 2018, the Group employed approximately 350 employees in Hong Kong, the PRC and other overseas countries. The staff costs for the year including directors' emoluments amounted to approximately HK\$104 million (2017: HK\$114 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 5,862,000 (2017: 2,682,000) 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)
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	<i>HK\$</i>
September 2017	74,000	1.04	1.04	77,235
October 2017	664,000	1.05	1.04	699,594
December 2017	858,000	1.17	1.11	983,307
January 2018	844,000	1.18	1.18	999,483
February 2018	1,478,000	1.15	1.14	1,691,631
March 2018	<u>1,944,000</u>	1.15	1.13	<u>2,236,980</u>
	<u>5,862,000</u>			<u>6,688,230</u>

ENVIRONMENT, SOCIAL RESPONSIBILITIES AND GOVERNANCE REPORT

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

CORPORATE GOVERNANCE

During the year ended 31 March 2018, in the opinion of the Board, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the following deviations.

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

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

An Audit and Risk Management Committee has been established by the Company to review and supervise the Company's financial reporting process and internal controls and review the relationship with the auditors. The Audit and Risk Management Committee has held meetings in accordance with the relevant requirements and reviewed the results for the year ended 31 March 2018.

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 2018 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 2018

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