

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2014

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 2014 and the audited consolidated statement of financial position as at 31 March 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 MARCH 2014

	NOTES	Year ended 31/03/2014 HK\$	Year ended 31/03/2013 (Restated) HK\$
Revenue	3	1,171,313,881	1,167,853,958
Cost of sales		(1,009,384,023)	(990,349,105)
Gross profit		161,929,858	177,504,853
Other income and gains	4	6,271,487	30,384,242
Increase in fair value of investment properties		194,935,910	30,841,370
Gain on disposal of subsidiaries		—	3,608,177
Fair value gain arising from the remeasurement of the previously held interest in a joint venture		—	143,157,821
Distribution costs		(10,041,615)	(9,247,112)
Administrative expenses		(211,687,418)	(182,217,578)
Finance costs	5	(29,084,270)	(24,212,583)
Share of results of associates		111,312,276	135,810,816
Profit before taxation	6	223,636,228	305,630,006
Income tax credit/(expense)	7	4,839,625	(9,164,653)
Profit for the year		<u>228,475,853</u>	<u>296,465,353</u>
Earnings per share	8		
Basic		<u>23.8 HK cents</u>	<u>30.3 HK cents</u>
Diluted		<u>23.6 HK cents</u>	<u>30.1 HK cents</u>
Dividend per share			
— Final dividend and special cash dividend proposed after the end of the reporting period	11	<u>4.5 HK cents</u>	<u>5.5 HK cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

	Year ended 31/03/2014	Year ended 31/03/2013 (Restated)
	<i>HK\$</i>	<i>HK\$</i>
Profit for the year	<u>228,475,853</u>	<u>296,465,353</u>
Other comprehensive income/(expense)		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit obligation	857,936	209,257
Loss on revaluation of properties	—	(47,235,714)
Reversal of deferred taxation arising on revaluation of properties	—	<u>7,793,893</u>
	<u>857,936</u>	<u>(39,232,564)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations	3,368,780	3,912,221
Reclassification adjustment for gain included in profit or loss	(2,635,745)	—
Fair value (loss)/gain on hedging instruments in cash flow hedges	(527)	2,636,272
Fair value gain/(loss) on available-for-sale investments	<u>1,020,000</u>	<u>(560,000)</u>
	<u>1,752,508</u>	<u>5,988,493</u>
Other comprehensive income/(expense) for the year	<u>2,610,444</u>	<u>(33,244,071)</u>
Total comprehensive income for the year	<u>231,086,297</u>	<u>263,221,282</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014

	<i>NOTES</i>	31/03/2014	31/03/2013 (Restated)	01/04/2012 (Restated)
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Non-current assets				
Investment properties		887,577,000	645,000,000	768,596,000
Property, plant and equipment		567,995,746	552,048,987	256,345,880
Prepaid lease payments		14,031,651	14,348,251	14,543,932
Goodwill		678,126	678,126	678,126
Interests in associates		284,408,118	173,095,842	485,157,907
Interests in joint ventures		—	—	—
Available-for-sale investments		22,250,000	21,230,000	20,490,000
Held-to-maturity investments		—	—	11,721,920
Deferred tax assets		7,115,238	—	—
		<u>1,784,055,879</u>	<u>1,406,401,206</u>	<u>1,557,533,765</u>
Current assets				
Inventories		129,415,492	133,429,238	173,214,874
Prepaid lease payments		326,332	325,911	322,733
Held-to-maturity investments		—	11,768,269	—
Investment held for trading		4,299,525	4,058,346	4,097,534
Inventory of unsold properties		6,937,366	7,464,423	127,380,207
Properties under development for sale		1,256,445,748	1,183,576,472	78,820,146
Bills receivables	9	1,288,962	1,562,246	1,721,248
Trade receivables, deposits and prepayments	9	155,149,054	136,175,573	174,434,198
Amounts due from associates		18,148,911	71,307,347	173,904,033
Amounts due from joint ventures		21,349,823	15,999,823	125,499,603
Tax recoverable		946,258	56,744	1,495,609
Bank balances and cash		646,093,742	615,705,106	282,850,250
		<u>2,240,401,213</u>	<u>2,181,429,498</u>	<u>1,143,740,435</u>

	<i>NOTES</i>	31/03/2014	31/03/2013 (Restated)	01/04/2012 (Restated)
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Current liabilities				
Trade payables, customers' deposits and accrued expenses	10	147,235,173	176,689,402	176,406,139
Bills payables	10	95,025,220	88,074,614	128,448,006
Amount due to an associate		46,815,748	46,815,748	7,020
Tax payable		4,691,530	7,749,596	4,582,491
Derivative financial instruments		1,179,294	3,058,561	9,989,693
Obligations under finance leases		6,041,458	3,319,946	2,002,592
Bank loans		450,939,302	510,786,792	583,051,022
		<u>751,927,725</u>	<u>836,494,659</u>	<u>904,486,963</u>
Net current assets		<u>1,488,473,488</u>	<u>1,344,934,839</u>	<u>239,253,472</u>
Total assets less current liabilities		<u>3,272,529,367</u>	<u>2,751,336,045</u>	<u>1,796,787,237</u>
Capital and reserves				
Share capital		94,040,651	97,656,251	97,754,251
Reserves		1,634,403,676	1,492,107,365	1,288,539,919
Total equity		<u>1,728,444,327</u>	<u>1,589,763,616</u>	<u>1,386,294,170</u>
Non-current liabilities				
Provision for long service payments		5,869,637	6,731,245	7,263,353
Derivative financial instruments		—	81,333	657,552
Obligations under finance leases		33,296,021	3,378,010	2,555,046
Bank loans		1,428,315,840	1,076,211,080	378,402,564
Deferred tax liabilities		76,603,542	75,170,761	21,614,552
		<u>1,544,085,040</u>	<u>1,161,572,429</u>	<u>410,493,067</u>
		<u>3,272,529,367</u>	<u>2,751,336,045</u>	<u>1,796,787,237</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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”)

Application of new and revised 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 HKFRSs	Annual Improvements to HKFRSs 2009 — 2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, 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 the consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) Int-12 *Consolidation — Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 April 2013) and concluded that the adoption of HKFRS 10 does not change any of the control conclusions reached by the Group in respect of its involvement with the investees as at 1 April 2013.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC) — Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangement in accordance with the requirement of HKFRS 11. The directors of the Company concluded that the Group's investments which were classified as jointly controlled entities under HKAS 31 should be classified as joint ventures under HKFRS 11 and continue apply the equity method.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

In the current year, the Group has applied HKAS 19 *Employee Benefits* (as revised in 2011) and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

Specific transitional provisions are applicable to first-time application of HKAS 19 (as revised in 2011). The application of HKAS 19 (as revised in 2011) has had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, HKAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosure. The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis (see the tables below for details).

Summary of the effects of the above change in accounting policies

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

Impact on total comprehensive income for the year of the application of HKAS 19 (as revised in 2011)

	Year ended 31/03/2014 HK\$	Year ended 31/03/2013 HK\$
Impact on profit for the year:		
Increase/(decrease) in administrative expenses	<u>27,842</u>	<u>(241,729)</u>
(Decrease)/increase in profit for the year	<u>(27,842)</u>	<u>241,729</u>
Impact on other comprehensive income/(expense) for the year:		
Decrease in remeasurement of defined benefit obligation	<u>857,936</u>	<u>209,257</u>
Increase/(decrease) in other comprehensive income/(expense) for the year	<u>857,936</u>	<u>(209,257)</u>
Increase in total comprehensive income for the year	<u><u>830,094</u></u>	<u><u>450,986</u></u>

Impact on liabilities and equity as at 1 April 2012 of the application of the above new and revised standards

	As at 01/04/2012 as previously reported HK\$	HKAS 19 adjustments HK\$	As at 01/04/2012 as restated HK\$
Effect on net assets			
Provision for long service payments	<u>4,338,325</u>	<u>2,925,028</u>	<u>7,263,353</u>
Effect on equity			
Retained profits	<u>1,082,028,348</u>	<u>(2,925,028)</u>	<u>1,079,103,320</u>

Impact on liabilities and equity as at 31 March 2013 of the application of the above new and revised standards

	As at 31/03/2013 as previously reported HK\$	HKAS 19 adjustments HK\$	As at 31/03/2013 as restated HK\$
Effect on net assets			
Provision for long service payments	<u>4,257,203</u>	<u>2,474,042</u>	<u>6,731,245</u>
Effect on equity			
Retained profits	<u>1,318,272,136</u>	<u>(2,474,042)</u>	<u>1,315,798,094</u>

Impact on liabilities and equity as at 31 March 2014 of the application of the above new and revised standards

	As at 31/03/2014 HK\$
Effect on net assets	
Increase in provision for long service payments	<u>1,643,948</u>
Effect on equity	
Decrease in retained profits	<u>1,643,948</u>

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

Impact on basic and diluted earnings per share

	Impact on basic earnings per share		Impact on diluted earnings per share	
	Year ended 31/03/2014 <i>HK cents</i>	Year ended 31/03/2013 <i>HK cents</i>	Year ended 31/03/2014 <i>HK cents</i>	Year ended 31/03/2013 <i>HK cents</i>
Figures before adjustments	23.8	30.3	23.6	30.1
Adjustments arising from change in the Group's accounting policy in relation to:				
- application of HKAS 19 (as revised in 2011)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Figures after adjustments	<u>23.8</u>	<u>30.3</u>	<u>23.6</u>	<u>30.1</u>

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 — 2012 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 — 2013 Cycle ²
HKFRS 9	Financial Instruments ³
HKFRS 14	Regulatory Deferral Accounts ⁵
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC)-Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014

³ Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

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

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

3. REVENUE AND SEGMENT INFORMATION

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

For the year ended 31 March 2014

	Manufacture of watches and trading of watch movements <i>HK\$</i>	Property development <i>HK\$</i>	Property investment <i>HK\$</i>	Hotel operation <i>HK\$</i>	Consolidated <i>HK\$</i>
REVENUE					
External sales	<u>1,148,580,425</u>	<u>—</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>(18,097,338)</u>	<u>172,350,090</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>

For the year ended 31 March 2013 (Restated)

	Manufacture of watches and trading of watch movements <i>HK\$</i>	Property development <i>HK\$</i>	Property investment <i>HK\$</i>	Hotel operation <i>HK\$</i>	Consolidated <i>HK\$</i>
REVENUE					
External sales	<u>1,147,902,149</u>	<u>53,316</u>	<u>1,151,000</u>	<u>18,747,493</u>	<u>1,167,853,958</u>
RESULT					
Segment result	<u>41,061,700</u>	<u>(20,654,452)</u>	<u>28,427,355</u>	<u>13,956,639</u>	62,791,242
Bank interest income					4,799,453
Unallocated other income					6,639,093
Unallocated other expenses					(26,964,013)
Finance costs					(24,212,583)
Gain on disposal of subsidiaries					3,608,177
Fair value gain arising from the remeasurement of the previously held interest in a joint venture					143,157,821
Share of results of associates					<u>135,810,816</u>
Profit before taxation					305,630,006
Income tax expense					<u>(9,164,653)</u>
Profit for the year					<u>296,465,353</u>

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

Segment assets and liabilities

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

Segment assets

	31/03/2014	31/03/2013
	<i>HK\$</i>	<i>HK\$</i>
Manufacture of watches and trading of watch movements	309,691,263	327,024,562
Property development	1,262,330,152	1,178,838,759
Property investment	478,905,564	371,159,064
Hotel operation	<u>440,979,483</u>	<u>305,876,440</u>
Total segment assets	2,491,906,462	2,182,898,825
Interests in associates	284,408,118	173,095,842
Amounts due from associates	18,148,911	71,307,347
Amounts due from joint ventures	21,349,823	15,999,823
Unallocated	<u>1,208,643,778</u>	<u>1,144,528,867</u>
Consolidated assets	<u>4,024,457,092</u>	<u>3,587,830,704</u>

Segment liabilities

	31/03/2014	31/03/2013
	<i>HK\$</i>	(Restated) <i>HK\$</i>
Manufacture of watches and trading of watch movements	141,909,479	183,841,632
Property development	37,306,577	30,637,938
Property investment	56,287,444	43,577,832
Hotel operation	<u>3,849,143</u>	<u>3,895,120</u>
Total segment liabilities	239,352,643	261,952,522
Amount due to an associate	46,815,748	46,815,748
Unallocated	<u>2,009,844,374</u>	<u>1,689,298,818</u>
Consolidated liabilities	<u>2,296,012,765</u>	<u>1,998,067,088</u>

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

- all assets are allocated to operating segments other than interests in associates, amounts due from associates and joint ventures, available-for-sale investments, held-to-maturity investments, deferred tax assets, 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 2014

	Manufacture of watches and trading of watch movements <i>HK\$</i>	Property development <i>HK\$</i>	Property investment <i>HK\$</i>	Hotel operation <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Capital additions	12,824,287	301,738	47,116,403	—	67,086,868	127,329,296
Depreciation of property, plant and equipment	(21,842,967)	(674,466)	(127,606)	(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>—</u>	<u>(9,452)</u>	<u>483,602</u>

For the year ended 31 March 2013

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

Revenue from major products and services

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

	Year ended 31/03/2014	Year ended 31/03/2013
Watches and watch movements	1,148,580,425	1,147,902,149
Leasing of properties	1,104,000	1,204,316
Hotel operation	<u>21,629,456</u>	<u>18,747,493</u>
	<u>1,171,313,881</u>	<u>1,167,853,958</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	
	Year ended 31/03/2014 HK\$	Year ended 31/03/2013 HK\$	31/03/2014 HK\$	31/03/2013 HK\$
Hong Kong and the PRC	996,358,400	1,002,143,715	1,749,193,084	1,379,547,651
North America	61,157,531	30,279,529	12,612,795	5,623,555
Europe	77,559,818	101,817,843	—	—
Others	36,238,132	33,612,871	—	—
	<u>1,171,313,881</u>	<u>1,167,853,958</u>	<u>1,761,805,879</u>	<u>1,385,171,206</u>

Note: Non-current assets excluded financial instruments.

Information about major customers

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

	Year ended 31/03/2014 HK\$	Year ended 31/03/2013 HK\$
Customer A	382,792,908	404,221,952
Customer B	<u>199,236,269</u>	<u>176,699,368</u>

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

4. OTHER INCOME AND GAINS

	Year ended 31/03/2014 <i>HK\$</i>	Year ended 31/03/2013 <i>HK\$</i>
Bank interest income	4,208,391	4,799,453
Interest income from held-to-maturity investments	117,971	100,540
Interest income on amounts due from associates	426,721	633,546
Recovery of doubtful debts	—	2,098,859
Customers' deposits forfeited	—	2,360,234
Gain on fair value changes of derivative financial instruments	62,655	—
Gain on fair value changes of investment held for trading	—	203,657
Gain on disposal of property, plant and equipment	483,602	—
Bargain purchase gain arising on acquisition of subsidiaries	—	5,657,431
Net foreign exchange gain	—	6,905,513
Sundry income	972,147	7,625,009
	<u>6,271,487</u>	<u>30,384,242</u>

5. FINANCE COSTS

	Year ended 31/03/2014 <i>HK\$</i>	Year ended 31/03/2013 <i>HK\$</i>
Interest on:		
Bank loans and overdrafts		
- wholly repayable within five years	35,693,295	22,501,613
- not wholly repayable within five years	10,366,748	10,631,228
Obligations under finance leases	1,296,795	323,974
	<u>47,356,838</u>	33,456,815
Total borrowing costs	47,356,838	33,456,815
Less: Amounts capitalised to investment properties and properties under development	<u>(18,272,568)</u>	<u>(9,244,232)</u>
	<u>29,084,270</u>	<u>24,212,583</u>

6. PROFIT BEFORE TAXATION

	Year ended 31/03/2014	Year ended 31/03/2013 (Restated)
	<i>HK\$</i>	<i>HK\$</i>
Profit before taxation has been arrived at after charging/(crediting):		
Staff costs including directors' emoluments	145,351,778	148,102,531
Depreciation of property, plant and equipment	39,026,869	30,287,737
Amortisation of prepaid lease payments	328,350	327,245
Auditors' remuneration	1,997,260	1,917,460
Cost of inventories recognised as an expense	846,064,379	844,139,403
Impairment loss recognised in respect of trade and other receivables (included in administrative expenses on consolidated statement of profit or loss)	2,933,748	1,472,000
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	—	66,337
Loss on fair value changes of investment held for trading	25,543	—
Loss on fair value changes of derivative financial instruments	—	860,616
Loss on deregistration of a subsidiary	169,221	—
Net foreign exchange loss	9,994,008	—
Minimum lease payments for operating leases in respect of land and buildings	7,265,308	8,172,042
Reversal of write-down of inventories	(2,919,055)	(2,682,180)
Gross rental income from investment properties	19,038,733	18,155,080
Less: Outgoings	(1,408,294)	(764,246)
Net rental income from investment properties	<u>17,630,439</u>	<u>17,390,834</u>

Minimum lease payments for operating leases in respect of staff quarters amounting to HK\$5,451,489 (Year ended 31 March 2013: HK\$5,303,841) are included in staff costs.

7. INCOME TAX (CREDIT)/EXPENSE

	Year ended 31/03/2014 HK\$	Year ended 31/03/2013 HK\$
The charge comprises:		
Hong Kong Profits Tax		
Current year	5,261,000	6,781,787
Overprovision in prior years	<u>(4,371,873)</u>	<u>(1,446,597)</u>
	889,127	5,335,190
Other jurisdictions		
Current year	<u>13,513</u>	<u>331,760</u>
	902,640	5,666,950
Deferred tax		
Current year	<u>(5,742,265)</u>	<u>3,497,703</u>
	<u>(4,839,625)</u>	<u>9,164,653</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:

	Year ended 31/03/2014	Year ended 31/03/2013 (Restated)
Earnings	HK\$	HK\$
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	<u>228,475,853</u>	<u>296,465,353</u>
	Year ended 31/03/2014	Year ended 31/03/2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	960,814,221	977,413,634
Effect of dilutive potential ordinary shares: Share options	<u>5,589,078</u>	<u>5,641,299</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>966,403,299</u>	<u>983,054,933</u>

9. BILLS RECEIVABLES, TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

Bills receivables with full recourse of HK\$1,288,962 (31 March 2013: HK\$1,562,246) 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\$76,878,935 (31 March 2013: HK\$55,106,438) with an aged analysis as follows:

The Group	31/03/2014	31/03/2013
	HK\$	HK\$
Within 30 days	58,108,425	44,660,197
31 to 90 days	10,100,448	4,940,440
91 to 180 days	5,582,053	4,496,135
Over 180 days	<u>3,088,009</u>	<u>1,009,666</u>
	<u>76,878,935</u>	<u>55,106,438</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\$115,829,834 (31 March 2013: HK\$121,061,169) with an ageing analysis as follows:

The Group	31/03/2014	31/03/2013
	<i>HK\$</i>	<i>HK\$</i>
Within 30 days	76,083,651	67,927,801
31 to 90 days	31,312,016	38,178,838
91 to 180 days	4,218,803	5,656,316
Over 180 days	4,215,364	9,298,214
	<u>115,829,834</u>	<u>121,061,169</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

	Year ended	Year ended
	31/03/2014	31/03/2013
	<i>HK\$</i>	<i>HK\$</i>
Dividends recognised as distribution during the year		
2013 Final — 3.5 HK cents (2012: 3.5 HK cents) per share	33,610,522	34,224,492
2013 Special Cash — 2.0 HK cents (2012: 2.0 HK cents) per share	19,206,013	19,556,853
2014 Interim — 0.5 HK cents (2013: 0.5 HK cents) per share	4,786,669	4,889,219
	<u>57,603,204</u>	<u>58,670,564</u>

A final dividend of 3.5 HK cents per share and a special cash dividend of 1.0 HK cent per share in respect of the year ended 31 March 2014 (Year ended 31 March 2013: A final dividend of 3.5 HK cents per share and a special cash dividend of 2.0 HK cents per share) have been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

A final dividend of 3.5 HK cents per share and a special cash dividend of 1.0 HK cent per share (Year ended 31 March 2013: A final dividend of 3.5 HK cents per share and a special cash dividend of 2.0 HK cents per share) payable to the shareholders whose names on the Register of Members of the Company on Tuesday, 2 September 2014 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 Wednesday, 27 August 2014, the Register of Members of the Company will be closed from Wednesday, 20 August 2014 to Wednesday, 27 August 2014 (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 Tuesday, 19 August 2014.

For determining the entitlement to the Proposed Dividends, the Register of Members of the Company will also be closed from Tuesday, 2 September 2014 to Wednesday, 3 September 2014 (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 Monday, 1 September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The audited consolidated profit attributable to shareholders of the Group for the year ended 31 March 2014 was HK\$228,475,853 (Year ended 31 March 2013: HK\$296,465,353). The basic and diluted earnings per share of the Company for the year ended 31 March 2014 were 23.8 HK cents (Year ended 31 March 2013: 30.3 HK cents) per share and 23.6 HK cents (Year ended 31 March 2013: 30.1 HK cents) per share respectively.

BUSINESS REVIEW

Watches manufacturing and watch components

During the period under review, the turnover of the Group's watch manufacturing and watch component trading division remained stable as compared with last year. However, the division's profit margin was affected by the continued escalation of manufacturing costs in China, the sluggish market condition in Europe and the United States and the delay in the launch of our Fitness Activity Wrist Bands.

Hotel operation

During the year under review, the Group's hotel operation business increased its turnover and profit. This was attributable to the high occupancy rate maintained by The Putman, the Group's wholly-owned boutique hotel apartment, and growth in occupancy rates achieved by all three associates' boutique hotel apartment projects with J.P. Morgan Asset Management, namely, The Jervois, Twenty One Whitfield and 99 Bonham.

The Group's other wholly-owned boutique hotel apartment located at No. 196 Queen's Road Central, Hong Kong, has commenced its interior fitting out works. The project is expected to launch in the second half of 2014.

Property development and investment

The site formation and foundation work of the Group's wholly-owned luxury residential development at 45 Tai Tam Road was completed and the Group is currently preparing for the superstructure construction work.

PROSPECTS

Watches manufacturing and watch components

The Group expects that the weak economic environment in Europe and the United States will continue throughout 2014 and possibly into 2015. With the commencement of mass production of our Fitness and Activity Monitor Wrist Bands by the end of 2014 and the launching of our Smart Watches series in early 2015, the Group is hopeful that the profit margin for its Watches Manufacturing and Watch Components Division will improve.

Hotel operation

On 28 April 2014, the Group entered into an agreement to repurchase the outstanding 73% shareholding in an associate with a real estate fund managed by J.P. Morgan Asset Management. The transaction was completed on 17 June 2014, and as a result, 99 Bonham, the boutique hotel apartment located at Nos. 99, 101 and 103 Bonham Strand and No. 127 Wing Lok Street in Hong Kong, became a wholly-owned property of the Group.

On 28 April 2014, the Group also entered into an agreement to repurchase the outstanding 73% shareholding in another associate with a real estate fund managed by J.P. Morgan Asset Management. Upon completion of the transaction in October 2014, The Jervois, a boutique hotel apartment located at No. 89 Jervois Street, Hong Kong, will become a wholly-owned property of the Group.

By the end of 2014, the Group will increase its hotel holdings to four wholly-owned boutique hotels in Hong Kong which are all managed by the Group's own hotel operation management division.

Property development and investment

In May 2014, the Group's wholly-owned subsidiary in Canada entered into an agreement to purchase a rare whole city block in downtown Toronto located at 88 Queen Street East and 20 and 30 Mutual Street, Toronto, Ontario, Canada. The area of the site is approximately 2.47 acres, and zoning is in place for 972,756 square feet of residential and commercial mixed-use density. The transaction will be completed on 7 July 2014 and the Group is commencing the planning for a phased development scheme.

At the same time, the Group remains optimistic about Hong Kong's medium and long-term real estate market and will look for attractive acquisition opportunities amidst the current uncertain environment.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 March 2014, the Group's total borrowings were approximately HK\$1,879 million (31 March 2013: HK\$1,587 million), representing an increase of approximately HK\$292 million from last year. The maturity profile spreads over a period of 30 years, with approximately HK\$451 million repayable within one year, approximately HK\$1,172 million within two to five years and HK\$256 million beyond five years.

At the year end date, the Group's gearing ratio was 0.83 (31 March 2013: 0.68) which is calculated based on the Group's long-term borrowings of approximately HK\$1,428 million (31 March 2013: HK\$1,076 million) and shareholders' funds of approximately HK\$1,728 million (31 March 2013: HK\$1,590 million).

As at 31 March 2014, the Group's total bank balances and cash was approximately HK\$646 million (31 March 2013: HK\$616 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 2014, 80% of the Group's borrowings was in HKD, 9% in USD, 7% in CAD, and 4% in JPY . As at 31 March 2014, 75% of the Group's bank balances and cash was in HKD, 9% in CNY, 6% in CAD, 5% in JPY and 5% in USD.

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 2014, certain properties of the Group of approximately HK\$2,548 million (31 March 2013: HK\$2,241 million) were pledged to secure banking facilities for the Group.

Employees

As at 31 March 2014, the Group employed approximately 1,100 employees in Hong Kong, the PRC and other overseas countries. The staff costs for the year including directors' emoluments amounted to approximately HK\$145 million (31 March 2013: HK\$148 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 36,156,000 (Year ended 31 March 2013: 1,280,000) 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) <i>HK\$</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
June 2013	980,000	1.02	1.01	1,002,500
July 2013	15,282,000	1.02	1.01	15,600,353
September 2013	2,110,000	0.98	0.97	2,064,119
October 2013	758,000	0.98	0.96	736,249
November 2013	100,000	0.94	0.93	94,196
December 2013	3,546,000	0.93	0.89	3,220,979
January 2014	5,306,000	0.90	0.89	4,792,522
February 2014	1,622,000	0.90	0.90	1,465,027
March 2014	<u>6,452,000</u>	0.90	0.88	<u>5,826,437</u>
	<u>36,156,000</u>			<u>34,802,382</u>

CORPORATE GOVERNANCE

During the year ended 31 March 2014, 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 2014.

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 2014 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, 27 June 2014

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.