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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 2016

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 2016 and the audited consolidated financial position as at 31 March 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2016

	NOTES	2016 HK\$	2015 HK\$
Revenue	3	1,149,450,963	1,432,142,078
Cost of sales		(969,484,275)	(1,194,810,280)
Gross profit		179,966,688	237,331,798
Other income and gains	4	318,949,438	58,890,913
Increase in fair value of investment properties		2,215,065	56,369,049
Distribution costs		(8,797,676)	(10,451,524)
Administrative expenses		(174,129,557)	(151,395,027)
Finance costs	5	(67,189,564)	(59,530,679)
Share of results of associates		(97,022)	1,497,554
Share of results of joint ventures		515,911	—
Profit before taxation	6	251,433,283	132,712,084
Income tax (expense) / credit	7	(6,702,328)	362,019
Profit for the year		<u>244,730,955</u>	<u>133,074,103</u>
			(Restated)
Earnings per share	8		
Basic		<u>23.8 HK cents</u>	<u>12.9 HK cents</u>
Diluted		<u>23.7 HK cents</u>	<u>12.8 HK cents</u>
Dividend per share			
— Final dividend and special cash dividend (2015: final dividend) proposed after the end of the reporting period	12	<u>4.0 HK cents</u>	<u>3.0 HK cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	2016	2015
	HK\$	HK\$
Profit for the year	244,730,955	133,074,103
Other comprehensive expense		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit obligation	<u>(1,072,881)</u>	<u>(249,169)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations	(5,847,582)	(62,264,913)
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of foreign operations	—	(3,637,308)
Fair value gain/(loss) on available-for-sale investments	<u>4,400,000</u>	<u>(450,000)</u>
	<u>(1,447,582)</u>	<u>(66,352,221)</u>
Other comprehensive expense for the year	<u>(2,520,463)</u>	<u>(66,601,390)</u>
Total comprehensive income for the year	<u>242,210,492</u>	<u>66,472,713</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	<i>NOTES</i>	2016	2015
		<i>HK\$</i>	<i>HK\$</i>
Non-current assets			
Investment properties		2,685,101,069	2,657,047,825
Property, plant and equipment		555,747,218	568,770,561
Prepaid lease payments		2,709,249	2,777,215
Goodwill		1,269,932	1,269,932
Interest in an associate		7,729,245	7,826,267
Interests in joint ventures		369,484,195	—
Available-for-sale investments		26,200,000	60,582,500
Held-to-maturity investments		3,172,084	3,032,820
Deferred tax assets		2,793,474	7,737,829
		<u>3,654,206,466</u>	<u>3,309,044,949</u>
Current assets			
Inventories		185,231,808	131,875,949
Prepaid lease payments		67,965	67,964
Held-to-maturity investments		—	7,528,919
Investments held for trading		100,168,054	8,224,291
Inventory of unsold properties		6,101,766	6,215,477
Properties under development for sale		267,095,549	1,179,531,543
Bills receivables	9	649,331	542,796
Trade receivables, deposits and prepayments	10	269,770,613	169,632,944
Amount due from a joint venture		29,649,822	21,599,822
Tax recoverable		3,767,778	112,295
Bank balances and cash		692,018,954	439,995,012
		<u>1,554,521,640</u>	<u>1,965,327,012</u>

	<i>NOTES</i>	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Current liabilities			
Trade payables, customers' deposits and accrued expenses	11	280,663,250	156,005,372
Bills payables	11	142,576,194	81,779,980
Amount due to an associate		46,815,748	46,815,748
Amount due to a joint venture		73,582,829	—
Tax payable		2,340,956	4,960,294
Obligations under finance leases		3,996,276	4,825,192
Bank loans		<u>639,837,224</u>	<u>627,949,257</u>
		<u>1,189,812,477</u>	<u>922,335,843</u>
Net current assets		<u>364,709,163</u>	<u>1,042,991,169</u>
Total assets less current liabilities		<u>4,018,915,629</u>	<u>4,352,036,118</u>
Capital and reserves			
Share capital		101,988,896	93,556,651
Reserves		<u>1,842,444,410</u>	<u>1,650,050,713</u>
Total equity		<u>1,944,433,306</u>	<u>1,743,607,364</u>
Non-current liabilities			
Provision for long service payments		6,894,396	6,071,575
Obligations under finance leases		24,474,552	28,470,829
Bank loans		2,023,943,056	2,497,813,108
Deferred tax liabilities		<u>19,170,319</u>	<u>76,073,242</u>
		<u>2,074,482,323</u>	<u>2,608,428,754</u>
		<u>4,018,915,629</u>	<u>4,352,036,118</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 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 revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ²
HKFRS 14	Regulatory Deferral Accounts ⁵
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements 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 HKFRS 10,
HKFRS 12 and HKAS 28

Investment Entities: Applying the Consolidation Exception¹

Amendments to HKFRSs

Annual Improvements to HKFRSs 2012-2014 Cycle¹

- ¹ Effective for annual periods beginning on or after 1 January 2016.
- ² Effective for annual periods beginning on or after 1 January 2018.
- 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 2019.
- ⁵ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company are assessing the impact of the application of HKFRS 16. However, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detailed review.

The directors of the Company anticipate that the adoption of other new and revised 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 revenues 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 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
Unallocated other income				11,362,568
Unallocated other expenses				(71,479,374)
Finance costs				(67,189,564)
Gain on disposal of subsidiaries				294,870,249
Share of results of associates				(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>

For the year ended 31 March 2015

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit earned by each segment without allocation of central administration costs, share of results of associates and joint ventures, gain on disposal of subsidiaries, gain on disposal of an associate, bargain purchase gain arising on acquisition of subsidiaries, other income and finance costs. This is the measure reported to the chief operating decision makers for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

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

Segment assets

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Manufacture of watches and trading of watch movements	332,463,914	289,013,952
Property development and investment	1,113,531,264	1,917,114,283
Hotel operation	<u>1,971,757,732</u>	<u>1,970,723,123</u>
Total segment assets	3,417,752,910	4,176,851,358
Interest in an associate	7,729,245	7,826,267
Interests in joint ventures	369,484,195	—
Amount due from a joint venture	29,649,822	21,599,822
Unallocated	<u>1,384,111,934</u>	<u>1,068,094,514</u>
Consolidated assets	<u>5,208,728,106</u>	<u>5,274,371,961</u>

Segment liabilities

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Manufacture of watches and trading of watch movements	191,402,036	134,467,883
Property development and investment	184,710,775	78,017,036
Hotel operation	<u>22,750,198</u>	<u>13,488,792</u>
Total segment liabilities	398,863,009	225,973,711
Amount due to an associate	46,815,748	46,815,748
Amount due to a joint venture	73,582,829	—
Unallocated	<u>2,745,033,214</u>	<u>3,257,975,138</u>
Consolidated liabilities	<u>3,264,294,800</u>	<u>3,530,764,597</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, investments held for trading, tax recoverable, bank balances and cash, and other unallocated corporate assets; and
- all liabilities are allocated to operating segments other than bank loans, tax payable, amount due to an associate, amount due to a joint venture, deferred tax liabilities and other unallocated corporate liabilities.

Other segment information

For the year ended 31 March 2016

	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	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>

For the year ended 31 March 2015

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

Revenue from major products and services

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

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Watches and watch movements	1,047,311,342	1,173,721,457
Sale of properties	—	186,739,372
Leasing of properties	8,312,724	7,811,815
Hotel operation	<u>93,826,897</u>	<u>63,869,434</u>
	<u>1,149,450,963</u>	<u>1,432,142,078</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	
	2016	2015	2016	2015
	HK\$	HK\$	HK\$	HK\$
Hong Kong and the PRC	1,049,586,223	1,085,471,301	3,007,393,814	2,641,246,440
North America	65,974,156	271,908,416	614,647,094	596,445,360
Europe	16,848,164	44,905,020	—	—
Others	17,042,420	29,857,341	—	—
	<u>1,149,450,963</u>	<u>1,432,142,078</u>	<u>3,622,040,908</u>	<u>3,237,691,800</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:

	2016	2015
	HK\$	HK\$
Customer A ¹	376,511,678	411,438,166
Customer B ¹	204,565,541	212,627,772
Customer C ²	<u>N/A³</u>	<u>186,739,372</u>

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

² Revenue from property development and investment.

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

4. OTHER INCOME AND GAINS

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Bank interest income	3,528,987	3,887,713
Interest income from held-to-maturity investments	322,236	350,400
Gain on fair value changes of derivative financial instruments	—	964,572
Gain on fair value changes of investments held for trading	11,187,854	614,253
Gain on disposal of property, plant and equipment	6,302,973	—
Gain on disposal of an investment property	—	6,357,664
Gain on disposal of subsidiaries	294,870,249	20,012,396
Gain on disposal of an associate	—	990,705
Bargain purchase gain arising on acquisition of subsidiaries	—	4,713,023
Sale of exclusive right	—	12,617,500
Agency fee income	—	6,308,750
Sundry income	<u>2,737,139</u>	<u>2,073,937</u>
	<u>318,949,438</u>	<u>58,890,913</u>

5. FINANCE COSTS

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Interest on:		
Bank loans and overdrafts	98,854,755	89,232,161
Obligations under finance leases	<u>1,282,851</u>	<u>1,491,237</u>
Total borrowing costs	100,137,606	90,723,398
Less: Amounts capitalised to investment properties and properties under development	<u>(32,948,042)</u>	<u>(31,192,719)</u>
	<u>67,189,564</u>	<u>59,530,679</u>

6. PROFIT BEFORE TAXATION

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Profit before taxation has been arrived at after charging/(crediting):		
Staff costs including directors' emoluments	144,161,936	124,987,139
Depreciation of property, plant and equipment	35,400,685	34,128,743
Amortisation of prepaid lease payments	67,965	222,249
Auditors' remuneration	2,728,357	2,395,793
Cost of inventories recognised as an expense	888,108,230	1,112,361,302
Impairment loss recognised in respect of trade receivables (included in administrative expenses on consolidated statement of profit or loss)	8,037,840	3,729,351
Loss on disposal of property, plant and equipment	—	723,196
Fair value loss arising from the remeasurement of the previously held interests in associates	—	8,276,493
Net foreign exchange loss	11,623,457	1,177,169
Minimum lease payments for operating leases in respect of land and buildings	6,292,784	8,869,498
Write-down of inventories	5,866,664	4,485,647
Gross rental income from investment properties	(102,139,621)	(69,730,156)
Less: Outgoings	<u>12,138,858</u>	<u>16,219,622</u>
Net rental income from investment properties	<u>(90,000,763)</u>	<u>(53,510,534)</u>

Minimum lease payments for operating leases in respect of staff quarters amounting to HK\$4,319,310 (2015: HK\$4,601,417) are included in staff costs.

7. INCOME TAX EXPENSE/(CREDIT)

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Hong Kong Profits Tax		
Current year	2,466,781	4,041,408
Over provision in prior years	<u>(1,750,688)</u>	<u>(3,882,151)</u>
	716,093	159,257
Other jurisdictions		
Current year	<u>29,643</u>	<u>54,850</u>
	745,736	214,107
Deferred tax		
Current year	<u>5,956,592</u>	<u>(576,126)</u>
	<u>6,702,328</u>	<u>(362,019)</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% 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:

	2016	2015
	<i>HK\$</i>	<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>244,730,955</u>	<u>133,074,103</u>
Number of shares		<i>(Restated)</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,026,258,988	1,030,788,387
Effect of dilutive potential ordinary shares:		
Share options	<u>7,110,895</u>	<u>6,189,174</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,033,369,883</u>	<u>1,036,977,561</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the bonus issue on 11 September 2015.

9. BILLS RECEIVABLES

Bills receivables of HK\$649,331 (2015: HK\$542,796) which are aged within 30 days.

10. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

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 for doubtful debts of HK\$33,452,707 (2015: HK\$38,616,135) with an ageing analysis as follows:

	2016	2015
	<i>HK\$</i>	<i>HK\$</i>
Within 30 days	26,684,651	30,519,381
31 to 90 days	6,023,159	2,844,801
91 to 180 days	95,574	1,176,068
Over 180 days	<u>649,323</u>	<u>4,075,885</u>
	<u>33,452,707</u>	<u>38,616,135</u>

11. 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\$161,291,543 (2015: HK\$98,679,297) with an ageing analysis as follows:

	2016	2015
	HK\$	HK\$
Within 30 days	128,877,088	71,903,830
31 to 90 days	23,409,532	22,031,262
91 to 180 days	3,712,930	3,042,678
Over 180 days	<u>5,291,993</u>	<u>1,701,527</u>
	<u>161,291,543</u>	<u>98,679,297</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

	2016	2015
	HK\$	HK\$
Dividends recognised as distribution during the year		
2015 Final — 3.0 HK cents (2014: 3.5 HK cents) per share	28,036,935	32,802,793
2014 Special Cash — 1.0 HK cent per share	—	9,372,227
2016 Interim — 0.5 HK cent (2015: 0.5 HK cent) per share	<u>5,132,061</u>	<u>4,682,909</u>
	<u>33,168,996</u>	<u>46,857,929</u>

Subsequent to the end of the reporting period, a final dividend of 3.0 HK cents per share and a special cash dividend of 1.0 HK cent per share in respect of the year ended 31 March 2016 (2015: A final dividend of 3.0 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 3.0 HK cents per share and a special cash dividend of 1.0 HK cent per share (Year ended 31 March 2015: A final dividend of 3.0 HK cents per share) payable to the shareholders whose names on the Register of Members of the Company at the close of business on Thursday, 1 September 2016 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, 25 August 2016, the Register of Members of the Company will be closed from Thursday, 18 August 2016 to Thursday, 25 August 2016 (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, 17 August 2016.

For determining the entitlement to the Proposed Dividends, the Register of Members of the Company will also be closed from Wednesday, 31 August 2016 to Thursday, 1 September 2016 (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, 30 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The audited consolidated profit attributable to shareholders of the Group for the year ended 31 March 2016 was HK\$244,730,955 (Year ended 2015: HK\$133,074,103). The basic and diluted earnings per share of the Company for the year ended 31 March 2016 were 23.8 HK cents per share and 23.7 HK cents per share respectively (Year ended 2015: 12.9 HK cents per basic share and 12.8 HK cents per diluted share respectively).

BUSINESS REVIEW

WATCHES MANUFACTURING AND WATCH COMPONENTS

During the period under review, worldwide demand for multifunction analogue quartz watches and LCD watches was weaker than the previous year, and as a result the sales revenue and profit margin for the Group’s watch manufacturing and watch components trading division decreased.

HOTEL OPERATION

The Group's hotel operating business increased its turnover and profit due to the inclusion of the full year results for One96 which opened in the fourth quarter of 2014. As well, despite a difficult market, our continued focus on shifting our customer mix to shorter staying guests as well as an increased demand for design focused hotels with a more spacious environment have supported occupancy and rates.

PROPERTY DEVELOPMENT AND INVESTMENT

On December 15, 2015, the Group disposed of 50% of its interest in one of its wholly owned subsidiaries to a property investment fund and consequently entered into a joint venture agreement with them to continue the development of 7 luxurious houses at 45 Tai Tam Road. The transaction was completed at the end of January 2016 and the result was satisfactory.

The uniquely-designed glass façade of the Group's boutique office development at 7 St. Thomas, Toronto, Canada is currently being installed and the completion is expected by the end of 2016.

In January 2016, the Group launched the marketing for the first phase residential tower of its 88 Queen Street East project in Toronto, Canada and the pre-sales activity was quite successful.

PROSPECTS

WATCHES MANUFACTURING AND WATCH COMPONENTS

The Group anticipates global demand for traditional multifunction analogue quartz and LCD watches to be weak and competition among Far Eastern smart watch manufacturers to significantly increase. The Group is preparing a line of lower cost smart watches and analogue quartz watches to be launched around the end of 2016.

HOTEL OPERATION

Hong Kong's tourism sector continues to face strong headwinds whereas the business and professional sector has been stable and in some cases has grown. In catering towards the latter sector, the Group's boutique hotels expect to maintain satisfactory occupancy and daily rates.

PROPERTY DEVELOPMENT AND INVESTMENT

On April 25, 2016, the Group entered into a Sale and Purchase Agreement with a third independent party to acquire 100% of the issued shares of Bentley Investment Limited which holds the property at 3 South Bay Close, Hong Kong for long-term investment purposes. The transaction is expected to be completed before July 25, 2016.

The construction work for the Group's luxury residential development at 45 Tai Tam Road, Hong Kong is targeted to be completed by the end of 2016 and will be followed by an extensive luxurious interior fitting out program.

The Group anticipates the construction work of 7 St. Thomas, the Group's boutique commercial office development in Toronto, Canada will be completed by the end of 2016.

For the Group's 88 Queen Street East project, the site plan application to the City of Toronto was submitted for its first phase of the development. The Group has also commenced preliminary planning for the subsequent phases of this multi-use development.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 March 2016, the Group's total borrowings were approximately HK\$2,664 million (2015: HK\$3,126 million), representing a decrease of approximately HK\$462 million from last year. The maturity profile spreads over a period of 30 years, with approximately HK\$640 million repayable within one year, approximately HK\$1,373 million within two to five years and HK\$651 million beyond five years.

At the year end date, the Group's gearing ratio was 1.04 (2015: 1.43) which is calculated based on the Group's long-term borrowings of approximately HK\$2,024 million (2015: HK\$2,498 million) and shareholders' funds of approximately HK\$1,944 million (2015: HK\$1,744 million).

As at 31 March 2016, the Group's total bank balances and cash was approximately HK\$692 million (2015: HK\$440 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 2016, 77% of the Group's borrowings were in HKD, 15% in CAD, 4% in USD, and 4% in JPY. As at 31 March 2016, 42% of the Group's bank balances and cash was in HKD, 41% in USD, 8% in JPY, 5% 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 2016, certain properties of the Group of approximately HK\$3,339 million (2015: HK\$4,232 million) were pledged to secure banking facilities for the Group.

Employees

As at 31 March 2016, the Group employed approximately 800 employees in Hong Kong, the PRC and other overseas countries. The staff costs for the year including directors' emoluments amounted to approximately HK\$144 million (2015: HK\$125 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 9,134,000 (2015: 5,140,000) of its own shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The details are as follows:

Month of repurchase	Number of ordinary shares of HK\$0.1 each	Price per share		Aggregate consideration paid (including expenses) HK\$
		Highest HK\$	Lowest HK\$	
July 2015	1,002,000	1.00	0.94	983,245
September 2015	1,464,000	0.90	0.88	1,296,348
October 2015	146,000	0.91	0.90	133,375
December 2015	6,000	0.92	0.92	5,626
January 2016	6,396,000	0.90	0.86	5,694,595
February 2016	<u>120,000</u>	0.85	0.85	<u>102,365</u>
	<u>9,134,000</u>			<u>8,215,554</u>

CORPORATE GOVERNANCE

During the year ended 31 March 2016, 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.

To reflect the expended scope of oversight of risk management controls, the Audit Committee was renamed as Audit and Risk Management Committee with effect from January 2016. The Audit and Risk Management Committee has held meetings to review, supervise and oversee the Group's financial reporting system, internal control procedures and risk management systems. 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 2016.

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 2016 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 2016

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.