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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 2021

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 2021 and the audited consolidated statement of financial position as at 31 March 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 MARCH 2021

	NOTES	2021 HK\$	2020 HK\$
Revenue	3	1,442,829,063	673,878,931
Cost of sales		(1,282,228,074)	(559,852,777)
Gross profit		160,600,989	114,026,154
Other income and gains	4	57,368,104	64,360,204
Increase in fair value of investment properties		89,949,145	138,831,295
Distribution costs		(8,291,613)	(8,725,925)
Administrative expenses		(117,599,009)	(142,780,411)
Finance costs	5	(78,950,881)	(115,362,915)
Share of results of associates		(40,381)	(62,374)
Share of results of joint ventures		(13,472,627)	73,452,208
Profit before taxation	6	89,563,727	123,738,236
Income tax credit/(expense)	7	26,622,463	(2,952,154)
Profit for the year		116,186,190	120,786,082
Profit for the year attributable to:			
– Owners of the Company		116,262,504	120,824,879
– Non-controlling interests		(76,314)	(38,797)
		116,186,190	120,786,082
Earnings per share	8		
Basic		11.8 HK cents	12.0 HK cents
Diluted		11.8 HK cents	12.0 HK cents
Dividend per share			
– Final dividend proposed after the end of the reporting period	12	3.0 HK cents	3.0 HK cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	2021 HK\$	2020 HK\$
Profit for the year	<u>116,186,190</u>	<u>120,786,082</u>
Other comprehensive income/(expense)		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit obligation	<u>1,529,482</u>	<u>(817,619)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations	99,715,163	(45,230,536)
Fair value gain/(loss) on other assets at fair value through other comprehensive income	<u>860,000</u>	<u>(3,465,000)</u>
	<u>100,575,163</u>	<u>(48,695,536)</u>
Other comprehensive income/(expense) for the year	<u>102,104,645</u>	<u>(49,513,155)</u>
Total comprehensive income for the year	<u>218,290,835</u>	<u>71,272,927</u>
Total comprehensive income/(expense) for the year attributable to:		
– Owners of the Company	218,367,149	71,311,724
– Non-controlling interests	<u>(76,314)</u>	<u>(38,797)</u>
	<u>218,290,835</u>	<u>71,272,927</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	<i>NOTES</i>	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Non-current assets			
Investment properties		3,946,422,950	3,500,552,300
Property, plant and equipment		63,996,542	70,193,690
Right-of-use assets		295,939,150	291,481,258
Goodwill		1,269,932	1,269,932
Interests in associates		7,286,919	7,327,300
Interests in joint ventures		375,047,813	388,520,440
Other assets at fair value through other comprehensive income		21,945,000	21,085,000
Debt instruments at amortised cost		3,279,796	3,081,360
Deferred tax assets		5,470,883	3,259,366
		<u>4,720,658,985</u>	<u>4,286,770,646</u>
Current assets			
Inventories		89,671,275	150,511,981
Financial assets at fair value through profit or loss		231,091,974	231,738,185
Inventory of unsold properties		68,959,977	5,754,819
Properties under development for sale		792,036,770	1,187,978,340
Bills receivables	9	563,539	—
Trade receivables, deposits and prepayments	10	301,674,761	152,507,658
Amount due from an associate		9,756,402	3,994,569
Amounts due from joint ventures		53,058,069	48,370,422
Tax recoverable		111,104	351,548
Bank balances and cash		1,095,050,633	1,089,739,974
		<u>2,641,974,504</u>	<u>2,870,947,496</u>

	<i>NOTES</i>	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Current liabilities			
Trade and bills payables	11	61,817,838	46,687,495
Customers' deposits		401,714,452	271,920,455
Accrued expenses and other payables		109,251,204	140,488,879
Amount due to an associate		4,555,148	4,555,148
Amount due to a joint venture		–	75,045,706
Tax payable		18,075,231	45,682,424
Derivative financial instruments		2,189,909	2,554,763
Lease liabilities		13,908,416	21,432,083
Bank loans		918,731,125	1,167,268,027
		<u>1,530,243,323</u>	<u>1,775,634,980</u>
Net current assets		<u>1,111,731,181</u>	<u>1,095,312,516</u>
Total assets less current liabilities		<u>5,832,390,166</u>	<u>5,382,083,162</u>
Capital and reserves			
Share capital		97,017,296	99,775,896
Reserves		2,459,728,011	2,301,959,833
Equity attributable to owners of the Company		2,556,745,307	2,401,735,729
Non-controlling interests		1,463,978	1,540,292
Total equity		<u>2,558,209,285</u>	<u>2,403,276,021</u>
Non-current liabilities			
Provision for long service payments		1,633,130	3,321,682
Lease liabilities		34,742,270	14,420,902
Bank loans		3,173,434,358	2,858,004,721
Deferred tax liabilities		64,371,123	103,059,836
		<u>3,274,180,881</u>	<u>2,978,807,141</u>
		<u>5,832,390,166</u>	<u>5,382,083,162</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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, certain financial instruments and other assets, which are measured at fair values.

2. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 *COVID-19-Related Rent Concessions*.

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on early application of Amendment to HKFRS 16 *COVID-19-Related Rent Concessions*

Rent concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year ended 31 March 2021. During the year ended 31 March 2021, the COVID-19-related rent concessions recognised in the profit or loss amounted to approximately HK\$101,000. There is no impact on the opening balance of equity at 1 April 2020.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁵
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

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 2021.

⁵ Effective for annual periods beginning on or after 1 April 2021.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date.
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Borrowings which are subject to meeting certain conditions/covenants within 12 months from reporting date

As at 31 March 2021, the Group's right to defer settlement for borrowings of approximately HK\$896,234,000 are subject to compliance with covenants within 12 months from the reporting date. Such borrowings were classified as non-current as the Group met such covenants at 31 March 2021. Pending clarification on the application of relevant requirements of the amendments, the Group will further assess whether application of the amendments will have an impact on the classification of these borrowings. The impacts on application, if any, will be disclosed in the Group's future consolidated financial statements.

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group's other liabilities as at 31 March 2021.

3. REVENUE AND SEGMENT INFORMATION

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

	2021	2020
	HK\$	HK\$
Revenue from contracts with customers within the scope of HKFRS 15, disaggregated by products or services		
Watches and watch movements	491,123,386	587,183,400
Sale of properties	904,361,377	—
	<hr/>	<hr/>
Revenue from contracts with customers	1,395,484,763	587,183,400
	<hr/>	<hr/>
Leasing of properties	—	2,483,374
Hotel operation	47,344,300	84,212,157
	<hr/>	<hr/>
	1,442,829,063	673,878,931
	<hr/> <hr/>	<hr/> <hr/>

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 2021

	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>491,123,386</u>	<u>904,361,377</u>	<u>47,344,300</u>	<u>1,442,829,063</u>
RESULT				
Segment result	<u>5,455,734</u>	<u>181,428,101</u>	<u>17,045,496</u>	203,929,331
Bank interest income				5,201,931
Unallocated other income				9,264,197
Unallocated other expenses				(36,367,843)
Finance costs				(78,950,881)
Share of results of associates				(40,381)
Share of results of joint ventures				<u>(13,472,627)</u>
Profit before taxation				89,563,727
Income tax credit				<u>26,622,463</u>
Profit for the year				<u>116,186,190</u>

For the year ended 31 March 2020

	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>587,183,400</u>	<u>2,483,374</u>	<u>84,212,157</u>	<u>673,878,931</u>
RESULT				
Segment result	<u>3,920,388</u>	<u>136,581,200</u>	<u>36,498,711</u>	177,000,299
Bank interest income				12,477,728
Unallocated other income				30,993,382
Unallocated other expenses				(54,760,092)
Finance costs				(115,362,915)
Share of results of associates				(62,374)
Share of results of joint ventures				<u>73,452,208</u>
Profit before taxation				123,738,236
Income tax expense				<u>(2,952,154)</u>
Profit for the year				<u>120,786,082</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, 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

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Manufacture of watches and trading of watch movements	218,454,853	248,555,276
Property development and investment	2,924,930,041	2,674,742,885
Hotel operation	<u>2,098,705,296</u>	<u>2,094,673,994</u>
Total segment assets	5,242,090,190	5,017,972,155
Interests in associates	7,286,919	7,327,300
Interests in joint ventures	375,047,813	388,520,440
Amount due from an associate	9,756,402	3,994,569
Amounts due from joint ventures	53,058,069	48,370,422
Unallocated	<u>1,675,394,096</u>	<u>1,691,533,256</u>
Consolidated assets	<u><u>7,362,633,489</u></u>	<u><u>7,157,718,142</u></u>

Segment liabilities

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Manufacture of watches and trading of watch movements	70,059,301	72,967,881
Property development and investment	485,932,738	361,935,057
Hotel operation	<u>10,223,671</u>	<u>12,260,347</u>
Total segment liabilities	566,215,710	447,163,285
Amount due to an associate	4,555,148	4,555,148
Amount due to a joint venture	–	75,045,706
Unallocated	<u>4,233,653,346</u>	<u>4,227,677,982</u>
Consolidated liabilities	<u><u>4,804,424,204</u></u>	<u><u>4,754,442,121</u></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 and joint ventures, amounts due from an associate and joint ventures, other assets at fair value through other comprehensive income, debt instruments at amortised cost, 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 amounts due to an associate and a joint venture, tax payable, bank loans, deferred tax liabilities and other unallocated corporate liabilities.

Other segment information

For the year ended 31 March 2021

	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	1,559,125	355,927,405	4,940,442	2,662,804	365,089,776
Depreciation of property, plant and equipment	3,932,089	3,235,827	2,628,781	3,502,656	13,299,353
Depreciation of right-of-use assets	9,246,289	—	1,384,215	17,702,412	28,332,916
Reversal of write-down of inventories	6,586,180	—	—	—	6,586,180
Increase in fair value of investment properties	—	89,949,145	—	—	89,949,145
Gain/(Loss) on disposal of property, plant and equipment	266,000	—	(2,801)	—	263,199
	<u>266,000</u>	<u>—</u>	<u>(2,801)</u>	<u>—</u>	<u>263,199</u>

For the year ended 31 March 2020

	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	2,686,643	103,272,583	7,604,235	3,143,110	116,706,571
Depreciation of property, plant and equipment	5,080,762	3,475,022	3,195,169	4,785,098	16,536,051
Depreciation of right-of-use assets	9,244,799	33,983	1,384,215	18,360,645	29,023,642
Write-down of inventories	224,365	—	—	—	224,365
Increase/(Decrease) in fair value of investment properties	—	140,482,087	(1,650,792)	—	138,831,295
Gain on disposal of property, plant and equipment	—	19,607,245	—	598,260	20,205,505
	<u>—</u>	<u>19,607,245</u>	<u>—</u>	<u>598,260</u>	<u>20,205,505</u>

Revenue from major products and services

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

	2021	2020
	HK\$	HK\$
Watches and watch movements	491,123,386	587,183,400
Sale of properties	904,361,377	–
Leasing of properties	–	2,483,374
Hotel operation	47,344,300	84,212,157
	<u>1,442,829,063</u>	<u>673,878,931</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		Non-current assets	
	external customers			
	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$
Hong Kong and the PRC	500,606,846	658,945,460	4,488,833,142	3,809,083,425
North America	932,914,814	2,996,677	29,643,389	380,092,485
Europe	8,307,753	11,323,172	152,874,775	51,788,210
Others	999,650	613,622	18,612,000	18,380,800
	<u>1,442,829,063</u>	<u>673,878,931</u>	<u>4,689,963,306</u>	<u>4,259,344,920</u>

Note: Non-current assets excluded other assets, 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:

	2021	2020
	HK\$	HK\$
Customer A ¹	N/A ²	218,590,812
Customer B ¹	N/A ²	83,430,065

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

² The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. OTHER INCOME AND GAINS

	2021	2020
	<i>HK\$</i>	<i>HK\$</i>
Bank interest income	5,201,931	12,477,728
Government subsidies (<i>Note</i>)	9,464,772	–
Interest income from debt instruments at amortised cost	95,083	97,948
Net (loss)/gain on fair value changes of financial assets at fair value through profit or loss	(4,336,033)	21,136,861
Gain on disposal of investment properties	–	7,640,303
Gain on disposal of property, plant and equipment	263,199	20,205,505
Net foreign exchange gain	42,018,318	–
Rent concessions	100,814	–
Sundry income	4,560,020	2,801,859
	<u>57,368,104</u>	<u>64,360,204</u>

Note: During the year ended 31 March 2021, the Group recognised government grants of HK\$9,464,772 in respect of COVID-19-related subsidies, of which HK\$8,264,772 and HK\$1,200,000 relates to Employment Support Scheme and Hotel Sector Support Scheme, respectively, provided by the government of the HKSAR.

5. FINANCE COSTS

	2021	2020
	<i>HK\$</i>	<i>HK\$</i>
Interest on:		
Bank loans and overdrafts	108,322,339	157,080,673
Lease liabilities	1,737,231	2,548,798
	<u>110,059,570</u>	159,629,471
Total borrowing costs	110,059,570	159,629,471
Less: Amounts capitalised to investment properties and properties under development	(31,108,689)	(44,266,556)
	<u>78,950,881</u>	<u>115,362,915</u>

6. PROFIT BEFORE TAXATION

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Profit before taxation has been arrived at after charging/(crediting):		
Staff costs including directors' emoluments	103,032,089	105,571,049
Depreciation of property, plant and equipment	13,299,353	16,536,051
Depreciation of right-of-use assets	28,332,916	29,023,642
Auditors' remuneration	3,520,323	3,040,827
Cost of inventories recognised as an expense	446,809,875	549,079,382
Net foreign exchange loss	–	24,775,929
Loss on fair value changes of derivative financial instruments	1,454,557	955,047
Expenses relating to short-term leases	1,213,372	1,210,679
(Reversal of write-down)/Write-down of inventories (included in cost of sales on consolidated statement of profit or loss)	(6,586,180)	224,365
Gross rental income from investment properties	(47,344,300)	(86,695,531)
Less: Outgoings	11,373,180	18,023,598
Net rental income from investment properties	<u>(35,971,120)</u>	<u>(68,671,933)</u>

7. INCOME TAX (CREDIT)/EXPENSE

	2021	2020
	HK\$	HK\$
Hong Kong Profits Tax		
Current year	–	433,972
Over provision in prior years	<u>(201,185)</u>	<u>(4,646,226)</u>
	<u>(201,185)</u>	<u>(4,212,254)</u>
Other jurisdictions		
Current year	14,099,254	1,910,439
Over provision in prior years	<u>(25,029)</u>	<u>(5,935)</u>
	<u>14,074,225</u>	<u>1,904,504</u>
Deferred tax		
Current year	<u>(40,495,503)</u>	<u>5,259,904</u>
	<u>(26,622,463)</u>	<u>2,952,154</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. 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% 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:

	2021 <i>HK\$</i>	2020 <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>116,262,504</u>	<u>120,824,879</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>982,820,584</u>	<u>1,010,217,164</u>

No diluted earnings per share is presented for both years as there were no potential ordinary shares in issue.

9. BILLS RECEIVABLES

Bills receivables of HK\$563,539 (2020: Nil) are aged within 30 days.

10. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Trade receivables	66,509,138	31,300,289
Less: allowance for credit losses	<u>(14,550,913)</u>	<u>(14,546,003)</u>
	51,958,225	16,754,286
Deposits and prepayments	236,343,354	101,762,027
Advance payment to suppliers	2,556,506	2,766,209
Other receivables	<u>10,816,676</u>	<u>31,225,136</u>
	301,674,761	152,507,658
Total trade receivables, deposits and prepayments	<u>301,674,761</u>	<u>152,507,658</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 credit losses presented based on the invoice date at the end of the reporting period:

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Within 30 days	28,521,701	12,131,280
31 to 90 days	14,219,100	1,069,793
91 to 180 days	5,829,771	533,507
Over 180 days	3,387,653	3,019,706
	51,958,225	16,754,286

11. TRADE AND BILLS PAYABLES

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

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Within 30 days	41,263,799	37,927,186
31 to 90 days	19,538,073	7,538,052
91 to 180 days	45,383	48,144
Over 180 days	970,583	1,174,113
	61,817,838	46,687,495

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

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Dividends recognised as distribution during the year		
2020 Final - 3.0 HK cents (2019: 3.0 HK cents) per share	29,692,169	30,368,670
2019 Special Cash - 1.0 HK cent per share	–	10,122,889
2021 Interim - 0.5 HK cent (2020: 0.5 HK cent) per share	4,886,490	5,053,360
	34,578,659	45,544,919

A final dividend of 3.0 HK cents per share in respect of the year ended 31 March 2021 (2020: 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 (Year ended 31 March 2020: 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 Tuesday, 31 August 2021 have been proposed by the Board (the “Proposed Dividend”) and are 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 Monday, 23 August 2021, the Register of Members of the Company will be closed from Monday, 16 August 2021 to Monday, 23 August 2021 (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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 13 August 2021.

For determining the entitlement to the Proposed Dividend, the Register of Members of the Company will also be closed from Monday, 30 August 2021 to Tuesday, 31 August 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the Proposed Dividend, 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 27 August 2021.

The Proposed Dividend is expected to be paid on or about Tuesday, 14 September 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The audited consolidated profit for the year attributable to shareholders of the Company for the year ended 31 March 2021 was HK\$116,262,504 (Year ended 2020: HK\$120,824,879). The basic and diluted earnings per share of the Company for the year ended 31 March 2021 were 11.8 HK cents per share and 11.8 HK cents per share respectively (Year ended 2020: 12.0 HK cents per share and 12.0 HK cents per share respectively).

BUSINESS REVIEW

WATCHES MANUFACTURING AND WATCH COMPONENTS

During the period under review, the COVID-19 pandemic continued to have a negative impact on the world markets and the Group’s watch manufacturing and trading division was adversely affected.

HOTEL OPERATION

The performance of the Group's hotel business recorded lower revenue and profit due to the prolonged impact of the COVID-19 pandemic which significantly hampered international travel with strict border enforcements and quarantine measures.

PROPERTY DEVELOPMENT AND INVESTMENT

During the period under review, the Group completed the sold units sales of the Phase I residential condominium of the multi-phased mixed-use development project at 88 Queen Street East, Canada. On 11 June 2020, the Group also completed its acquisition of HGL Investment Limited, which owns a residential property located at House 8, 39 Deep Water Bay Road. The house is currently under extensive renovation to enhance the capital value of the property.

The foundation work of the Group's Phase III residential condominium of its multi-phased, mixed-use development at 88 Queen Street East, Toronto, Canada has commenced and has made good progress even amid COVID-19 restrictions.

The excavation and foundation work of the Group's luxurious residential project at 3 South Bay Close, Repulse Bay has completed and the superstructure construction work has commenced.

PROSPECTS

WATCHES MANUFACTURING AND WATCH COMPONENTS

With the improving supply of the COVID-19 vaccine resulting in the gradual increase of the world population being vaccinated, markets across the globe have started on the path to recovery. The Group's watch manufacturing and watch components trading business is gradually improving.

HOTEL OPERATION

The Group expects the restrictions on travel and quarantine measures will impact the overall hotel industry. The Group's hotel business has shifted its focus to more long staying guests to minimize this impact.

PROPERTY DEVELOPMENT AND INVESTMENT

On 7 May 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose of one house at its luxurious residential development 45 Tai Tam, Hong Kong, a joint venture project with BPE Asia Real Estate Fund L.P. The completion of this transaction is expected to be on or before 15 July 2021.

The major renovation work at the Group's House 8, 39 Deep Water Bay Road, Hong Kong is expected to be completed by the end of 2021 and the Group intends to hold the property for long term investment purpose.

The Group has commenced the superstructure construction work of its luxurious residential project at 3 South Bay Close, Repulse Bay which is targeted to complete before the second quarter of 2023.

The Group has obtained a syndication loan with HSBC Canada as lender and sole lead arranger and administrate agent for the Group's Phase III residential condominium of its multi-phased mixed-use development at 88 Queen Street East, Toronto, Canada to finance the construction. Despite the COVID-19 situation in Toronto, Canada the project is moving forward without delay.

The Group expects that with the improvement in the Hong Kong economy and especially the financial markets, our luxurious residential development projects would be benefited.

The Group continues to look for development opportunities in the London real estate market, specifically the luxury residential sector.

The Group is also exploring the low density townhouse development opportunity in metropolitan Toronto area.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 March 2021, the Group's total borrowings were approximately HK\$4,092 million (2020: HK\$4,025 million), representing an increase of approximately HK\$67 million from last year. The maturity profile spreads over a period of 30 years, with approximately HK\$919 million repayable within one year, approximately HK\$2,939 million within two to five years and HK\$234 million beyond five years.

At the year end date, the Group's gearing ratio was 1.24 (2020: 1.19) which is calculated based on the Group's long-term borrowings of approximately HK\$3,173 million (2020: HK\$2,858 million) and shareholders' funds of approximately HK\$2,557 million (2020: HK\$2,402 million).

As at 31 March 2021, the Group's total bank balances and cash was approximately HK\$1,095 million (2020: HK\$1,090 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 2021, 91% of the Group's borrowings were in HKD, 6% in CAD, 1% in JPY, 1% in USD and 1% in GBP. As at 31 March 2021, 59% of the Group's bank balances and cash was in CAD, 22% in HKD, 10% in USD, 4% in JPY, 4% in RMB, and 1% in others.

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 2021, certain properties and time deposits of the Group of approximately HK\$4,898 million (2020: HK\$4,955 million) were pledged to secure banking facilities for the Group.

Employees

As at 31 March 2021, the Group employed approximately 250 employees in Hong Kong, the PRC and other overseas countries. The staff costs for the year including directors' emoluments amounted to approximately HK\$103 million (2020: HK\$106 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 27,586,000 (2020: 18,826,000) of its own shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The details are as follows:

Month of repurchase

	Number of ordinary shares of HK\$0.1 each	Price per share		Aggregate consideration paid (including expenses) HK\$
		Highest HK\$	Lowest HK\$	
May 2020	2,492,000	1.07	1.06	2,674,193
June 2020	1,556,000	1.04	1.04	1,624,030
July 2020	3,972,000	1.04	1.04	4,145,857
August 2020	5,514,000	1.05	1.04	5,773,413
September 2020	6,332,000	1.05	1.02	6,599,463
October 2020	596,000	1.02	1.02	610,275
November 2020	178,000	1.02	1.02	182,210
December 2020	2,848,000	1.05	1.02	2,933,535
January 2021	3,348,000	1.03	1.02	3,459,588
February 2021	750,000	1.04	1.02	776,348
	<u>27,586,000</u>			<u>28,778,912</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 2021, 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 2021.

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 2021 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, 28 June 2021

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.