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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 2023

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 2023 and the audited consolidated statement of financial position as at 31 March 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2023

	NOTES	2023 HK\$	2022 HK\$
Revenue	3	501,313,169	694,563,912
Cost of sales		(393,513,297)	(606,742,048)
Gross profit		107,799,872	87,821,864
Other income, other gains and losses, net	4	(11,058,895)	(37,026,112)
Increase in fair value of investment properties		298,698,048	134,757,261
Distribution costs		(8,791,559)	(8,253,774)
Administrative expenses		(170,207,429)	(115,232,784)
Finance costs	5	(140,265,781)	(74,851,187)
Share of results of associates		(67,405)	25,388
Share of results of joint ventures		(10,608,405)	96,832,845
Profit before taxation	6	65,498,446	84,073,501
Income tax (expense)/credit	7	(16,654,533)	7,204,485
Profit for the year		48,843,913	91,277,986
Profit for the year attributable to:			
– Owners of the Company		48,869,383	91,356,972
– Non-controlling interests		(25,470)	(78,986)
		48,843,913	91,277,986
Earnings per share	8		
Basic		5.2 HK cents	9.5 HK cents
Diluted		5.2 HK cents	9.5 HK cents
Dividend per share			
– Final dividend proposed after the end of the reporting period	12	1.8 HK cents	3.0 HK cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	2023 HK\$	2022 HK\$
Profit for the year	<u>48,843,913</u>	<u>91,277,986</u>
Other comprehensive (expense)/income		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit obligation	<u>399,249</u>	<u>(603,618)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations	(57,332,657)	18,489,702
Fair value gain on other assets at fair value through other comprehensive income	<u>765,000</u>	<u>4,790,000</u>
	<u>(56,567,657)</u>	<u>23,279,702</u>
Other comprehensive (expense)/income for the year	<u>(56,168,408)</u>	<u>22,676,084</u>
Total comprehensive (expense)/income for the year	<u><u>(7,324,495)</u></u>	<u><u>113,954,070</u></u>
Total comprehensive (expense)/income for the year attributable to:		
– Owners of the Company	(7,299,025)	114,033,056
– Non-controlling interests	<u>(25,470)</u>	<u>(78,986)</u>
	<u><u>(7,324,495)</u></u>	<u><u>113,954,070</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	<i>NOTES</i>	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Non-current assets			
Investment properties		4,890,224,988	4,347,962,250
Property, plant and equipment		48,653,872	55,348,942
Right-of-use assets		301,784,471	321,489,959
Goodwill		1,269,932	1,269,932
Interests in associates		7,244,902	7,312,307
Interests in joint ventures		331,772,253	342,380,658
Other assets at fair value through other comprehensive income		27,500,000	26,735,000
Deferred tax assets		5,611,200	8,031,250
		<u>5,614,061,618</u>	<u>5,110,530,298</u>
Current assets			
Debt instruments at amortised cost		–	3,144,017
Inventories		61,802,714	94,199,104
Financial assets at fair value through profit or loss		152,693,565	199,831,028
Inventory of unsold properties		62,324,876	69,560,713
Properties under development for sale		1,560,933,226	1,325,975,077
Bills receivables	9	664,664	761,950
Trade receivables, deposits and prepayments	10	184,431,838	374,906,609
Amount due from an associate		9,889,499	9,786,402
Amount due from a joint venture		8,701,422	48,701,422
Tax recoverable		498,636	1,187,752
Bank balances and cash		852,304,897	1,100,195,772
		<u>2,894,245,337</u>	<u>3,228,249,846</u>

	<i>NOTES</i>	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Current liabilities			
Trade and bills payables	11	28,995,195	68,596,023
Customers' deposits		567,907,320	585,298,237
Accrued expenses and other payables		167,573,577	118,371,690
Amount due to an associate		4,405,148	4,405,148
Amount due to a joint venture		199,367,825	179,367,825
Tax payable		3,567,212	3,145,703
Derivative financial instruments		–	20,684
Lease liabilities		16,756,295	17,319,229
Bank loans		1,364,816,521	1,338,453,008
		<u>2,353,389,093</u>	<u>2,314,977,547</u>
Net current assets		<u>540,856,244</u>	<u>913,272,299</u>
Total assets less current liabilities		<u>6,154,917,862</u>	<u>6,023,802,597</u>
Capital and reserves			
Share capital		91,942,096	94,930,696
Reserves		2,452,846,957	2,520,289,726
Equity attributable to owners of the Company		2,544,789,053	2,615,220,422
Non-controlling interests		1,359,522	1,384,992
Total equity		<u>2,546,148,575</u>	<u>2,616,605,414</u>
Non-current liabilities			
Provision for long service payments		1,183,239	1,814,267
Lease liabilities		50,957,830	63,731,825
Bank loans		3,481,974,650	3,281,226,408
Deferred tax liabilities		74,653,568	60,424,683
		<u>3,608,769,287</u>	<u>3,407,197,183</u>
		<u>6,154,917,862</u>	<u>6,023,802,597</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

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 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 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of 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.

3. REVENUE AND SEGMENT INFORMATION

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

	2023	2022
	HK\$	HK\$
Revenue from contracts with customers within the scope of HKFRS 15, disaggregated by products or services		
Watches and watch movements	411,793,738	629,416,156
Sale of properties	<u>—</u>	<u>472,352</u>
Revenue from contracts with customers	411,793,738	629,888,508
Hotel operation	<u>89,519,431</u>	<u>64,675,404</u>
	<u><u>501,313,169</u></u>	<u><u>694,563,912</u></u>

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 2023

	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>411,793,738</u>	<u>–</u>	<u>89,519,431</u>	<u>501,313,169</u>
RESULT				
Segment result	<u>5,203,960</u>	<u>239,617,482</u>	<u>42,556,347</u>	287,377,789
Bank interest income				12,304,018
Unallocated other income				6,268,558
Unallocated other expenses				(49,510,328)
Waiver of amount due from a joint venture				(40,000,000)
Finance costs				(140,265,781)
Share of results of associates				(67,405)
Share of results of joint ventures				<u>(10,608,405)</u>
Profit before taxation				65,498,446
Income tax expense				<u>(16,654,533)</u>
Profit for the year				<u>48,843,913</u>

For the year ended 31 March 2022

	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>629,416,156</u>	<u>472,352</u>	<u>64,675,404</u>	<u>694,563,912</u>
RESULT				
Segment result	<u>7,734,145</u>	<u>121,226,496</u>	<u>24,637,880</u>	153,598,521
Bank interest income				3,769,844
Unallocated other income				484,048
Unallocated other expenses				(95,785,958)
Finance costs				(74,851,187)
Share of results of associates				25,388
Share of results of joint ventures				<u>96,832,845</u>
Profit before taxation				84,073,501
Income tax credit				<u>7,204,485</u>
Profit for the year				<u>91,277,986</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

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Manufacture of watches and trading of watch movements	199,136,628	238,349,400
Property development and investment	4,290,729,053	3,861,402,770
Hotel operation	<u>2,351,861,605</u>	<u>2,135,008,978</u>
Total segment assets	6,841,727,286	6,234,761,148
Interests in associates	7,244,902	7,312,307
Interests in joint ventures	331,772,253	342,380,658
Amount due from an associate	9,889,499	9,786,402
Amount due from a joint venture	8,701,422	48,701,422
Unallocated	<u>1,308,971,593</u>	<u>1,695,838,207</u>
Consolidated assets	<u><u>8,508,306,955</u></u>	<u><u>8,338,780,144</u></u>

Segment liabilities

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Manufacture of watches and trading of watch movements	36,187,055	75,951,300
Property development and investment	706,038,821	665,458,513
Hotel operation	<u>14,508,677</u>	<u>13,140,863</u>
Total segment liabilities	756,734,553	754,550,676
Amount due to an associate	4,405,148	4,405,148
Amount due to a joint venture	199,367,825	179,367,825
Unallocated	<u>5,001,650,854</u>	<u>4,783,851,081</u>
Consolidated liabilities	<u><u>5,962,158,380</u></u>	<u><u>5,722,174,730</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 a joint venture, 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 2023

	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	595,214	188,444,761	3,935,516	12,516	192,988,007
Depreciation of property, plant and equipment	1,676,600	1,592,631	1,007,366	3,715,155	7,991,752
Depreciation of right-of-use assets	6,178,034	6,928,992	1,260,533	9,310,835	23,678,394
Reversal of write-down of inventories	507,415	–	–	–	507,415
Increase in fair value of investment properties	–	154,650,807	144,047,241	–	298,698,048
Gain/(Loss) on disposal of property, plant and equipment	358,867	151,258	(3,402)	1,726,333	2,233,056

For the year ended 31 March 2022

	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	846,791	260,680,660	11,602,612	42,520,244	315,650,307
Depreciation of property, plant and equipment	2,338,406	1,588,962	1,784,257	4,118,121	9,829,746
Depreciation of right-of-use assets	180,685	–	1,353,224	23,263,377	24,797,286
Write-down of inventories	1,477,074	–	–	–	1,477,074
Increase in fair value of investment properties	–	134,757,261	–	–	134,757,261
Gain/(Loss) on disposal of property, plant and equipment	46,622	339,931	(4,200)	(2,059)	380,294

Revenue from major products and services

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

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Watches and watch movements	411,793,738	629,416,156
Sale of properties	–	472,352
Hotel operation	89,519,431	64,675,404
	<u>501,313,169</u>	<u>694,563,912</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	
	2023 <i>HK\$</i>	2022 <i>HK\$</i>	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Hong Kong and the PRC	484,629,183	670,066,471	5,241,254,190	4,873,100,537
North America	3,288,689	15,511,932	177,060,623	29,495,654
Europe	13,269,906	8,906,030	147,090,625	156,271,857
Others	125,391	79,479	15,544,980	16,896,000
	<u>501,313,169</u>	<u>694,563,912</u>	<u>5,580,950,418</u>	<u>5,075,764,048</u>

Note: Non-current assets excluded other assets at fair value through other comprehensive income 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:

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Customer A ¹	<u>107,442,039</u>	<u>231,575,458</u>

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

4. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2023	2022
	<i>HK\$</i>	<i>HK\$</i>
Bank interest income	12,304,018	3,769,844
Government subsidies ^(Note)	3,391,200	1,200,000
Interest income from debt instruments at amortised cost	179,466	99,032
Net loss on fair value changes of financial assets at fair value through profit or loss	(32,785,401)	(49,900,352)
Gain on disposal of property, plant and equipment	2,233,056	380,294
Net foreign exchange gain	–	5,616,871
Sundry income	3,618,766	1,808,199
	<u>11,058,895</u>	<u>(37,026,112)</u>

Note: During the year ended 31 March 2023, the Group recognised government grants of HK\$3,391,200 in respect of COVID-19-related subsidies which relates to Employment Support Scheme provided by the government of the HKSAR.

During the year ended 31 March 2022, the Group recognised government grants of HK\$1,200,000 in respect of COVID-19-related subsidies which relates to Hotel Sector Support Scheme provided by the government of the HKSAR.

5. FINANCE COSTS

	2023	2022
	<i>HK\$</i>	<i>HK\$</i>
Interest on:		
Bank loans and overdrafts	205,733,945	105,032,874
Lease liabilities	3,471,686	3,403,371
	<u>209,205,631</u>	<u>108,436,245</u>
Total borrowing costs	209,205,631	108,436,245
Less: Amounts capitalised to investment properties and properties under development	(68,939,850)	(33,585,058)
	<u>140,265,781</u>	<u>74,851,187</u>

6. PROFIT BEFORE TAXATION

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Profit before taxation has been arrived at after charging/(crediting):		
Staff costs including directors' emoluments	109,892,908	103,440,831
Depreciation of property, plant and equipment	7,991,752	9,829,746
Depreciation of right-of-use assets	23,678,394	24,797,286
Auditors' remuneration	3,140,721	3,340,973
Cost of inventories recognised as an expense	362,379,987	578,746,108
Net foreign exchange loss	49,140,200	–
(Gain)/Loss on fair value changes of derivative financial instruments	(77,287)	42,254
Expenses relating to short-term leases	712,969	1,250,391
(Reversal of write-down)/Write-down of inventories (included in cost of sales on consolidated statement of profit or loss)	(507,415)	1,477,074
Waiver of amount due from a joint venture	40,000,000	–
Gross rental income from investment properties	(89,519,431)	(64,675,404)
Less: Outgoings	<u>20,710,885</u>	<u>14,752,824</u>
Net rental income from investment properties	<u>(68,808,546)</u>	<u>(49,922,580)</u>

7. INCOME TAX EXPENSE/(CREDIT)

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Hong Kong Profits Tax		
Current year	456,709	–
Under/(Over) provision in prior years	<u>60,330</u>	<u>(249,795)</u>
	<u>517,039</u>	<u>(249,795)</u>
Other jurisdictions		
Current year	61,684	25,639
Over provision in prior years	<u>(488,536)</u>	<u>(534,519)</u>
	<u>(426,852)</u>	<u>(508,880)</u>
Deferred tax		
Current year	<u>16,564,346</u>	<u>(6,445,810)</u>
	<u>16,654,533</u>	<u>(7,204,485)</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:

	2023	2022
	HK\$	HK\$
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	<u>48,869,383</u>	<u>91,356,972</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>932,722,173</u>	<u>965,261,998</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\$664,664 (2022: HK\$761,950) are aged within 30 days.

10. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Trade receivables	35,042,326	78,055,898
Less: allowance for credit losses	<u>(14,669,626)</u>	<u>(14,649,445)</u>
	20,372,700	63,406,453
Deposits and prepayments	133,981,868	278,814,932
Advance payment to suppliers	1,479,644	2,496,721
Other receivables	<u>28,597,626</u>	<u>30,188,503</u>
	184,431,838	374,906,609
Total trade receivables, deposits and prepayments	<u>184,431,838</u>	<u>374,906,609</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:

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Within 30 days	9,121,092	30,332,179
31 to 90 days	4,079,963	22,906,108
91 to 180 days	5,660	6,911,900
Over 180 days	<u>7,165,985</u>	<u>3,256,266</u>
	<u>20,372,700</u>	<u>63,406,453</u>

11. TRADE AND BILLS PAYABLES

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

	2023 HK\$	2022 <i>HK\$</i>
Within 30 days	19,333,587	53,045,072
31 to 90 days	8,925,334	14,973,427
91 to 180 days	2,285	15,766
Over 180 days	733,989	561,758
	28,995,195	68,596,023

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

	2023 HK\$	2022 <i>HK\$</i>
Dividends recognised as distribution during the year		
2022 Final – 3.0 HK cents (2021: 3.0 HK cents) per share	28,262,249	29,037,329
2023 Interim – 0.5 HK cent (2022: 0.5 HK cent) per share	4,597,970	4,827,490
	32,860,219	33,864,819

A final dividend of 1.8 HK cents per share in respect of the year ended 31 March 2023 (2022: 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 1.8 HK cents per share (Year ended 31 March 2022: 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 Wednesday, 6 September 2023 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 Tuesday, 29 August 2023, the Register of Members of the Company will be closed from Tuesday, 22 August 2023 to Tuesday, 29 August 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong not later than 4:30 p.m. on Monday, 21 August 2023.

For determining the entitlement to the Proposed Dividend, the Register of Members of the Company will also be closed from Tuesday, 5 September 2023 to Wednesday, 6 September 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong not later than 4:30 p.m. on Monday, 4 September 2023.

The Proposed Dividend is expected to be paid on or about Wednesday, 20 September 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The audited consolidated profit for the year attributable to shareholders of the Company for the year ended 31 March 2023 was HK\$48,869,383 (Year ended 2022: HK\$91,356,972). The basic and diluted earnings per share of the Company for the year ended 31 March 2023 were 5.2 HK cents per share and 5.2 HK cents per share respectively (Year ended 2022: 9.5 HK cents per share and 9.5 HK cents per share respectively).

BUSINESS REVIEW

WATCHES MANUFACTURING AND WATCH COMPONENTS

During the period under review, the Group's watch manufacturing and watch component trading division recorded a decrease in turnover while profit margin was maintained.

HOTEL OPERATION

The performance of the Group's hotel business has further improved and achieved higher revenue, occupancy and room rates as compared with the previous year.

PROPERTY DEVELOPMENT AND INVESTMENT

The Group's luxurious residential project at 1 South Bay Close, Repulse Bay, Hong Kong has topped out and the façade and internal building works are proceeding well.

The above grade construction work of the Group's Phase III residential condominium at 88 Queen Street East, Toronto, Canada is progressing according to schedule with the podium construction completed and the tower construction well underway.

PROSPECTS

WATCHES MANUFACTURING AND WATCH COMPONENTS

The interest rate hikes in most countries this past year have weakened consumers' demand as well as Hong Kong's exports. This economic environment continues to challenge the Group's watch manufacturing and watch components business.

HOTEL OPERATION

With increasing numbers of both business and leisure visitors to Hong Kong, the prospects of the Group's designer boutique hotels is encouraging and the Group intends to take advantage of this trend to further increase room rates.

PROPERTY DEVELOPMENT AND INVESTMENT

The Group has engaged internationally renowned designers for the interior design of its show flats for its luxurious residential project at 1 South Bay Close, Repulse Bay.

Regarding the Group's mixed-use project at 88 Queen Street East in Toronto, Canada, the building is expected to top-off later this year and complete in 2024.

The Group anticipates that both inflation and interest rates to remain at an elevated level for a longer period than expected. The Group will take a conservative view and approach in its future investments.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 March 2023, the Group's total borrowings were approximately HK\$4,847 million (2022: HK\$4,620 million), representing an increase of approximately HK\$227 million from last year. The maturity profile spreads over a period of 30 years, with approximately HK\$1,365 million repayable within one year, approximately HK\$3,272 million within two to five years and HK\$210 million beyond five years.

At the year end date, the Group's gearing ratio was 1.37 (2022: 1.25) which is calculated based on the Group's long-term borrowings of approximately HK\$3,482 million (2022: HK\$3,281 million) and shareholders' funds of approximately HK\$2,545 million (2022: HK\$2,615 million).

As at 31 March 2023, the Group's total bank balances and cash was approximately HK\$852 million (2022: HK\$1,100 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 2023, 84% of the Group's borrowings were in HKD, 13% in CAD, 1% in GBP, 1% in JPY and 1% in USD. As at 31 March 2023, 44% of the Group's bank balances and cash was in USD, 31% in HKD, 13% in CAD, 5% in JPY, 5% in RMB, and 2% 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 2023, certain properties and time deposits of the Group of approximately HK\$6,798 million (2022: HK\$6,058 million) were pledged to secure banking facilities for the Group.

Employees

As at 31 March 2023, 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\$110 million (2022: HK\$103 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 29,886,000 (2022: 20,866,000) 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\$	
April 2022	8,000	1.01	1.01	8,191
May 2022	960,000	1.05	1.01	992,041
July 2022	6,264,000	1.03	1.03	6,477,239
August 2022	2,148,000	1.03	1.01	2,197,114
September 2022	12,200,000	1.01	1.00	12,267,671
October 2022	8,134,000	1.02	0.99	8,165,775
January 2023	12,000	0.98	0.96	11,958
February 2023	122,000	0.96	0.92	115,904
March 2023	38,000	0.95	0.91	36,232
	<u>29,886,000</u>			<u>30,272,125</u>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Details of the environmental, social and governance of the Company will be set out in the Environmental, Social 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 2023, 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(A) 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(A). 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 2023.

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 2023 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 2023

As at the date of this announcement, the Executive Directors of the Company are Mr. Lee Yuen Ching, Jimmy, Mr. Lee Bon Chi, Loewe, Mr. Lee Yuen Kui, James, Mr. Lee Yuen Cheor, Edward and Mr. Wai Kwong Yuen, Ricky; the Non-executive Director of the Company is Ms. Lee Yuen Yu, Dorathy; and the Independent Non-executive Directors of the Company are Mr. Chan Chak Cheung, William, Mr. Chan Kwok Wai and Mr. Sun Dai Wai, David.

SCHEDULE OF MAJOR PROPERTIES HELD BY THE GROUP

Details of the major properties held by the Group at 31 March 2023 are as follows:

INVESTMENT PROPERTIES

Location	Lease term	Group's interest	Type
The Putman No. 202 Queen's Road Central, Sheung Wan, Hong Kong	Long term	100%	Commercial
99 Bonham Nos. 99, 101-103 Bonham Strand and No. 127 Wing Lok Street, Sheung Wan, Hong Kong	Long term	100%	Commercial
One96 No. 196 Queen's Road Central, Sheung Wan, Hong Kong	Long term	100%	Commercial
The Jervois No. 89 Jervois Street, Sheung Wan, Hong Kong	Long term	100%	Commercial
Two parcels of land located at Nos. 10 and 12 Nali Road, Yinkai Industrial Park, Economic and Technological Development Area, Nanning, Guangxi Zhuangzu Autonomous Region, the PRC	Medium term	100%	Industrial
Apartment 306, Burlington Gate, together with Parking Space 7, 25 Cork Street, London W1S 3NB, United Kingdom	Long term	100%	Residential
Apartment 503, Burlington Gate, together with Parking Space 49, 25 Cork Street, London W1S 3NB, United Kingdom	Long term	100%	Residential

Location	Lease term	Group's interest	Type
No. 1 South Bay Close, Repulse Bay, Hong Kong	Medium term	100%	Residential
House No. 8, No. 39 Deep Water Bay Road, Shouson Hill, Hong Kong	Medium term	100%	Residential
House No. 26, Le Palais, No. 8 Pak Pat Shan Road, Hong Kong	Medium term	100%	Residential
31 Remaining Residential Units in Phase III at 88 Queen Street East, Toronto, Ontario, Canada	Freehold	100%	Residential

PROPERTIES UNDER DEVELOPMENT FOR SALE

Location	Group's accounting classification	Group's interest	Site area (sq. m.)	Residential (sq. m.)	Retail and office (sq. m.)	Development status	Expected completion date
88 Queen Street East, Toronto, Ontario, Canada	Subsidiary	100%	3,197	37,357	10,360	The above grade podium construction has been completed and the tower construction has surpassed the twenty-fifth floor	2024

INVENTORY OF UNSOLD PROPERTIES

Location	Group's accounting classification	Group's interest	Residential (sq. m.)	Development status
House No. 1 and House No. 6, 45 Tai Tam Road, Hong Kong	Joint venture ^(Note)	50%	889	Completed

Total held through the joint venture: 889
– of which attributable to the Group: 444.5

Note: The carrying amount of the interest in joint venture as at 31 March 2023 represented 3.90% of the total assets of the Group.