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NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2010

RESULTS

The board (the “Board”) of directors (the “Directors”) of National Electronics Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2010 and the consolidated statement of financial position as at 31 March 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2010

	<i>NOTES</i>	2010 <i>HK\$</i>	2009 <i>HK\$</i>
Revenue	2	1,113,703,911	2,301,703,974
Cost of sales		(982,172,996)	(2,040,409,548)
Gross profit		131,530,915	261,294,426
Other income and gains	3	27,717,264	5,648,616
Increase in fair value of investment properties		57,000,846	62,972,951
Gain/(Loss) on disposal of property, plant and equipment		22,389,292	(384,492)
Impairment loss recognised in respect of properties under development for sale		—	(46,628,663)
Distribution costs		(7,247,855)	(7,793,323)
Administrative expenses		(124,781,955)	(145,716,267)
Finance costs	4	(15,321,717)	(27,525,838)
Share of results of associates		43,184,139	35,677,947
Share of results of jointly controlled entities		(398)	—
Profit before taxation	5	134,470,531	137,545,357
Income tax expenses	6	(12,754,218)	(28,713,871)
Profit for the year		121,716,313	108,831,486

	<i>NOTES</i>	2010 HK\$	2009 HK\$
Other comprehensive income			
Exchange differences arising on translating foreign operations		9,836,182	(12,314,827)
Fair value loss on available-for-sale investments		(30,000)	(6,610,000)
Reserve released on disposal of available-for-sale investments		(290,000)	(490,000)
		<hr/>	<hr/>
Other comprehensive income for the year		9,516,182	(19,414,827)
		<hr/>	<hr/>
Total comprehensive income for the year		131,232,495	89,416,659
		<hr/>	<hr/>
Earnings per share — Basic and diluted	7	12.5 HK cents	11.1 HK cents
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Dividend per share			
– Final dividend proposed after the end of the reporting date	10	1.5 HK cents	1.5 HK cents
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2010

	<i>NOTES</i>	2010 <i>HK\$</i>	2009 <i>HK\$</i>
Non-current assets			
Investment properties		881,108,320	1,045,505,000
Property, plant and equipment		131,551,423	118,266,700
Prepaid lease payments		222,656,249	252,233,362
Interests in associates		96,912,859	53,728,720
Interests in jointly controlled entities		—	—
Available-for-sale investments		15,050,000	16,000,000
		1,347,278,851	1,485,733,782
Current assets			
Inventories		113,148,116	98,946,597
Prepaid lease payments		4,171,031	4,291,278
Investment held for trading		4,118,611	4,071,034
Inventory of unsold properties		230,077,423	170,767,133
Bills receivables	8	8,100,000	9,000,000
Trade receivables, deposits and prepayments	8	66,608,260	61,212,391
Amounts due from associates		143,489,370	142,049,370
Amounts due from jointly controlled entities		107,499,602	—
Tax recoverable		1,335,043	1,126,683
Bank balances and cash		134,840,700	139,549,296
		813,388,156	631,013,782
Current liabilities			
Trade payables and accrued expenses	9	80,762,351	109,188,218
Bills payables	9	95,509,146	37,733,076
Tax payable		4,384,960	16,674,191
Derivative financial instruments		6,073,845	5,695,010
Obligations under finance leases		3,533,304	3,494,980
Bank loans		606,121,292	444,464,657
		796,384,898	617,250,132
Net current assets		17,003,258	13,763,650
Total assets less current liabilities		1,364,282,109	1,499,497,432

	2010 <i>HK\$</i>	2009 <i>HK\$</i>
Capital and reserves		
Share capital	97,212,993	97,260,193
Reserves	739,117,817	626,106,853
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Total equity	836,330,810	723,367,046
	<hr/>	<hr/>
Non-current liabilities		
Provision for long service payments	3,750,100	3,571,179
Derivative financial instruments	11,626,837	11,347,375
Obligations under finance leases	2,359,938	3,492,691
Bank loans	468,720,771	726,883,327
Deferred tax liabilities	41,493,653	30,835,814
	<hr/>	<hr/>
	527,951,299	776,130,386
	<hr/>	<hr/>
	1,364,282,109	1,499,497,432
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Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are or have become effective.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group’s reportable segments.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ⁵
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendments)	Classification of Rights Issues ⁴
HKAS 39 (Amendments)	Eligible Hedged Items ¹
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters ³
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters ⁶
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 8 (Amendments)	Disclosure of information about segment assets ³
HKFRS 9	Financial Instruments ⁷
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁵
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁶

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for annual periods beginning on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 January 2011

⁶ Effective for annual periods beginning on or after 1 July 2010

⁷ Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

Basis of preparation

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, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the 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.

2. REVENUE AND SEGMENT INFORMATION

Revenue is measured at fair value of the consideration received or receivable and represents the amounts received and receivable for goods sold and services provided net of discounts during the year. The following is an analysis of the Group's business segment information.

2010

	Manufacture of watches HK\$	Trading of watch movements HK\$	Property development HK\$	Property investment HK\$	Eliminations HK\$	Consolidated HK\$
REVENUE						
External sales	203,712,125	798,570,694	51,994,555	59,426,537	—	1,113,703,911
Inter-segment sales	—	2,190,703	—	—	(2,190,703)	—
Total revenue	<u>203,712,125</u>	<u>800,761,397</u>	<u>51,994,555</u>	<u>59,426,537</u>	<u>(2,190,703)</u>	<u>1,113,703,911</u>
RESULT						
Segment result	<u>10,173,023</u>	<u>19,967,323</u>	<u>(12,755,324)</u>	<u>60,494,745</u>	<u>—</u>	<u>77,879,767</u>
Interest income						265,292
Unallocated other income						49,864,408
Unallocated other expenses						(21,400,960)
Finance costs						(15,321,717)
Share of results of associates						43,184,139
Share of results of jointly controlled entities						(398)
Profit before taxation						134,470,531
Income tax expenses						(12,754,218)
Profit for the year						<u>121,716,313</u>

2009

	Manufacture of watches HK\$	Trading of watch movements HK\$	Property development HK\$	Property investment HK\$	Eliminations HK\$	Consolidated HK\$
REVENUE						
External sales	253,781,020	772,552,529	1,271,080,696	4,289,729	—	2,301,703,974
Inter-segment sales	—	922,608	51,099,863	—	(52,022,471)	—
Total revenue	<u>253,781,020</u>	<u>773,475,137</u>	<u>1,322,180,559</u>	<u>4,289,729</u>	<u>(52,022,471)</u>	<u>2,301,703,974</u>
RESULT						
Segment result	<u>10,332,232</u>	<u>20,426,357</u>	<u>94,210,868</u>	<u>62,088,825</u>	<u>—</u>	187,058,282
Interest income						1,451,748
Unallocated other income						3,798,039
Unallocated other expenses						(62,914,821)
Finance costs						(27,525,838)
Share of result of associates						<u>35,677,947</u>
Profit before taxation						137,545,357
Income tax expenses						<u>(28,713,871)</u>
Profit for the year						<u>108,831,486</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 jointly controlled entities, other income and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Inter-segment sales are charged at cost.

Segment assets and liabilities

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

Segment assets

	2010 HK\$	2009 HK\$
Manufacture of watches	130,284,453	105,228,983
Trading of watch movements	108,386,332	91,143,324
Property development	119,807,852	133,542,505
Property investment	986,936,491	1,081,658,402
Total segment assets	1,345,415,128	1,411,573,214
Interests in associates	96,912,859	53,728,720
Amounts due from associates	143,489,370	142,049,370
Amounts due from jointly controlled entities	107,499,602	—
Unallocated	467,350,048	509,396,260
Consolidated assets	2,160,667,007	2,116,747,564

Segment liabilities

	2010 HK\$	2009 HK\$
Manufacture of watches	49,756,181	51,734,574
Trading of watch movements	109,740,822	51,058,576
Property development	10,213,060	37,252,574
Property investment	15,953,246	17,367,793
Total segment liabilities	185,663,309	157,413,517
Unallocated	1,138,672,888	1,235,967,001
Consolidated liabilities	1,324,336,197	1,393,380,518

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

- all assets are allocated to reportable segments other than interests in associates, amounts due from associates and jointly controlled entities, available-for-sale investments, bank balances and cash, and other unallocated corporate assets; and
- all liabilities are allocated to reportable segments other than bank loans, tax payable, deferred tax liabilities and other unallocated corporate liabilities.

Other segment information

2010

	Manufacture of watches HK\$	Trading of watch movements HK\$	Property development HK\$	Property investment HK\$	Unallocated HK\$	Consolidated HK\$
Capital additions	23,412,133	13,494,410	1,184,220	162,736,831	7,585,033	208,412,627
Depreciation of property, plant and equipment	6,690,354	11,101,493	452,865	15,315	8,213,379	26,473,406
Amortisation of prepaid lease payments	534,277	—	—	—	3,527,123	4,061,400
Impairment loss recognised in respect of trade receivables	826	—	—	—	—	826
Impairment loss recognised in respect of other receivables	22,800	—	—	623,093	—	645,893
Loss on disposal of investment properties	—	—	—	1,690,209	—	1,690,209
Reversals of inventories	(1,427,102)	—	—	—	—	(1,427,102)
Increase in fair value of investment properties	—	—	—	57,000,846	—	57,000,846
Gain on disposal of property, plant and equipment	(90,000)	(1,332,714)	(53,012)	—	(20,913,566)	(22,389,292)

2009

	Manufacture of watches HK\$	Trading of watch movements HK\$	Property development HK\$	Property investment HK\$	Unallocated HK\$	Consolidated HK\$
Capital additions	16,703,021	3,496,881	31,000	73,683,861	21,936,323	115,851,086
Depreciation of property, plant and equipment	6,351,088	12,078,553	322,924	12,334	3,780,732	22,545,631
Amortisation of prepaid lease payments	763,001	—	—	—	3,633,646	4,396,647
Impairment loss recognised in respect of properties under development for sale	—	—	46,628,663	—	—	46,628,663
Impairment loss recognised in respect of trade receivables	873,257	590,000	—	—	—	1,463,257
Impairment loss recognised in respect of other receivables	182,013	—	—	—	—	182,013
Write-down of inventories	2,607,564	—	—	—	540,640	3,148,204
Increase in fair value of investment properties	—	—	—	62,972,951	—	62,972,951
Loss/(gain) on disposal of property, plant and equipment	(168,712)	113,566	—	498,769	(59,131)	384,492

Geographical segments

The Group's operations are located in Hong Kong and other regions in the People's Republic of China (the "PRC"), North America and Europe.

The Group's revenue from external customers by geographical location of the customers and information about its non-current assets by geographical location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	2010	2009	2010	2009
	HK\$	HK\$	HK\$	HK\$
Hong Kong and the PRC	817,071,865	786,854,475	1,326,053,524	1,371,229,356
North America	149,783,105	1,355,346,344	6,175,327	98,504,426
Europe	136,489,554	141,354,292	—	—
Others	10,359,387	18,148,863	—	—
	<u>1,113,703,911</u>	<u>2,301,703,974</u>	<u>1,332,228,851</u>	<u>1,469,733,782</u>

Note: Non-current assets excluded available-for-sale investments.

3. OTHER INCOME AND GAINS

	2010	2009
	HK\$	HK\$
Bank interest income	265,292	1,451,748
Dividend income from unlisted investments	—	12,121
Gain on disposal of available-for-sale investments	37,643	490,000
Management fee income received from associates	1,825,210	1,661,480
Net foreign exchange gain	22,746,780	—
Sundry income	2,842,339	2,033,267
	<u>27,717,264</u>	<u>5,648,616</u>

4. FINANCE COSTS

	2010 <i>HK\$</i>	2009 <i>HK\$</i>
Interest on:		
Bank loans		
- wholly repayable within five years	15,980,066	30,084,357
- not wholly repayable within five years	3,232,038	8,834,039
Obligations under finance leases	357,432	411,960
	<hr/>	<hr/>
Total borrowing costs	19,569,536	39,330,356
Less: Amount capitalised to properties under development for sale	—	(5,524,221)
Less: Amount capitalised to investment properties	(4,247,819)	(6,280,297)
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	15,321,717	27,525,838
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5. PROFIT BEFORE TAXATION

	2010 HK\$	2009 HK\$
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	26,473,406	22,545,631
Less: Amount capitalised to properties under development for sale	—	(81,729)
	<u>26,473,406</u>	<u>22,463,902</u>
Staff costs including directors' emoluments	95,883,772	108,291,713
Less: Amount capitalised to properties under development for sale	—	(6,128,800)
Less: Amount capitalised to investment properties	(18,540,250)	(20,854,508)
	<u>77,343,522</u>	<u>81,308,405</u>
Amortisation of prepaid lease payments	4,061,400	4,396,647
Auditors' remuneration	1,509,900	1,517,096
Cost of inventories recognised as an expense	876,836,095	1,885,506,414
Impairment loss recognised in respect of other receivables (included in administrative expenses on statement of comprehensive income)	645,893	182,013
Impairment loss recognised in respect of trade receivables (included in administrative expenses on statement of comprehensive income)	826	1,463,257
Loss on disposal of investment properties	1,690,209	—
Loss on fair value changes of derivative financial instruments	8,108,365	17,042,385
Minimum lease payments for operating leases in respect of land and buildings	9,906,128	6,425,054
Net foreign exchange loss	—	39,667,519
(Reversals)/Write-down of inventories	(1,427,102)	3,148,204
and after crediting:		
Gain on fair value changes of investment held for trading	—	644,693
Gross rental income from investment properties	1,648,239	4,331,078
Less: Outgoings	(787,314)	(831,425)
Net rental income from investment properties	<u>860,925</u>	<u>3,499,653</u>

Minimum lease payments for operating leases in respect of staff quarters amounting to HK\$1,474,784 (2009: HK\$437,733) are included in staff costs.

6. INCOME TAX EXPENSES

	2010 HK\$	2009 HK\$
The charge comprises:		
Hong Kong Profits Tax		
Current year	1,750,000	891,883
Underprovision /(Overprovision) in prior years	350,959	(157,368)
	<u>2,100,959</u>	<u>734,515</u>
Other jurisdictions		
Current year	493,030	18,001,959
Overprovision in prior years	(497,610)	—
	<u>2,096,379</u>	<u>18,736,474</u>
Deferred tax liabilities		
Current year	10,657,839	11,169,307
Attributable to a change in tax rate	—	(1,191,910)
	<u>12,754,218</u>	<u>28,713,871</u>
Taxation attributable to the Company and its subsidiaries		

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5%, which is effective from the year of assessment 2008/2009. 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.

7. 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:

	2010 HK\$	2009 HK\$
Earnings		
Earnings for the purpose of basic and diluted earnings per share		
(Profit for the year attributable to owners of the Company)	<u>121,716,313</u>	<u>108,831,486</u>
Number of shares	2010	2009
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>972,312,706</u>	<u>984,257,840</u>

The computation of diluted earnings per share does not assume the exercise of the Company's options as the exercise price of those options is higher than the average market price for shares for 2010.

8. BILLS RECEIVABLES, TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

Bills receivables with full recourse of HK\$8,100,000 (2009: HK\$9,000,000) are aged within 30 days.

The Group has a policy of allowing an average credit period of 30-60 days to its trade customers.

Included in trade receivables, deposits and prepayments are trade receivables net of allowance for doubtful debts of HK\$37,485,105 (2009: HK\$35,144,489) with an aged analysis as follows:

The Group

	2010 HK\$	2009 HK\$
Within 30 days	28,650,067	29,991,792
31 to 90 days	3,318,925	3,485,585
91 to 180 days	2,847,348	1,661,753
Over 180 days	2,668,765	5,359
	37,485,105	35,144,489

At 31 March 2010, trade receivables included an amount of approximately HK\$8,000,000 (2009: HK\$11,000,000) receivable from a major customer.

9. BILLS PAYABLES, TRADE PAYABLES AND ACCRUED EXPENSES

Included in bills payables, trade payables and accrued expenses are trade payables of HK\$123,308,380 (2009: HK\$59,539,237) with an aged analysis as follows:

The Group

	2010 HK\$	2009 HK\$
Within 30 days	89,950,677	35,280,928
31 to 90 days	32,054,137	18,505,497
91 to 180 days	968,422	1,397,844
Over 180 days	335,144	4,354,968
	123,308,380	59,539,237

The average credit period on purchases is 3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

10. DIVIDEND

The final dividend of 1.5 HK cents for the year ended 31 March 2010 (2009: 1.5 HK cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

A final dividend of 1.5 HK cents per share (2009: 1.5 HK cents per share) payable to the shareholders whose names on the register of members of the Company on Wednesday, 11 August 2010 has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

The register of members of the Company will be closed from Wednesday, 11 August 2010 to Wednesday, 18 August 2010 (both days inclusive) during which period no transfer of shares will be registered.

In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars and Transfer Office in Hong Kong, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 10 August 2010. Dividends are expected to be paid on Friday, 3 September 2010.

RESULTS

The audited consolidated profit attributable to shareholders of the Group for the year ended 31 March 2010 was HK\$121,716,313 (2009: HK\$108,831,486). The earnings per share of the Company for the year ended 31 March 2010 was 12.5 HK cents per share (2009: 11.1 HK cents per share).

BUSINESS REVIEW

Watches and watch components

During the period under review, the turnover for the Group's watch component trading division increased slightly. Although the turnover for the Group's watch manufacturing division has decreased as a result of the global economic downturn, the division still maintained a stable profit by focusing on manufacturing higher margin products.

Property Development and investment

As compared with property development sales revenue last year of approximately HK\$1.2 billion, which was mainly due to the final completion of sales approximately 90 percent of the residential condominium units of the Group's One St. Thomas project in Toronto, Canada ("One St. Thomas Project"), the Group's property development sales revenue for the current year was substantially decreased to approximately HK\$52 million which was attributed to the disposal of several remaining residential condominium units of the One St. Thomas Project. The Group also disposed of approximately HK\$59 million of other Canadian properties.

During the year under review, the Property Development and Investment business recorded a profit of around HK\$48 million as compared with a profit last year of around HK\$156 million which included substantial contribution from the One St. Thomas Project.

Le Rivage, the Group's second boutique hotel Joint Venture project with Citi Property Investors at No. 137-138 Connaught Road West, Hong Kong, commenced its operation in October 2009 with favorable market response. Le Rivage has achieved satisfactory occupancy rate since the second quarter of 2010.

In October 2009, the Group acquired a property located at House 15 and Car Parking Spaces Nos. 15A and 15B on the Basement Floor, No. 1 Shouson Hill Road East, Hong Kong for investment purpose.

On 18 December 2009, a joint venture with a real estate fund managed by J.P. Morgan Asset Management — Global Real Assets completed the acquisition of a site at No. 45 Tai Tam Road, Hong Kong for residential development purpose.

PROSPECTS

Watches and watch components

The Group continues to strengthen its research and development capabilities to launch new higher margin electronic products. To enhance the profit margin of our watch manufacturing division, the Group continued to improve the production automation process in order to control its labour cost of the factory at Gongming, Shenzhen. On the other hand, to cope with the ever-increasing labour cost in the coastal province of China, the Group will speed up its relocation plan to a new factory in Nanning, Guan Xi in the near future.

Property development and investment

Overseas

The Group is marketing the remaining units of the One St. Thomas Project and an adjoining residential property to the One St. Thomas Project, located at Sultan Street, Toronto, Canada.

Local

The superstructure work of the Group's Joint Venture project with Citi Property Investors at Nos. 50 to 59 Connaught Road Central, Hong Kong for the development of an A-Grade office building is progressing well and it is expected that the project will be completed by the first quarter of 2011.

During the year under review, the Group has entered into a Joint Venture with J.P. Morgan Asset Management — Global Real Assets to jointly develop a residential project at No. 45 Tai Tam Road, Hong Kong for the development of luxurious detached houses. The project is at the planning, design and government submission stage and the Joint Venture targets to complete the project by 2013.

The superstructure work of the Group's boutique hotel project at No. 87 - 89, Jervois Street, Hong Kong is in progress and the Group expects the completion of the building by the fourth quarter of 2010.

The superstructure work of the Group's boutique hotel project at No. 21 Whitfield Road, North Point, Hong Kong has commenced on the first quarter of 2010. The Group targets to complete the building by the first quarter of 2011.

The superstructure construction of the Group's boutique hotel at Nos. 99, 101 & 103 Bonham Strand and No. 127 Wing Lok Street, Hong Kong has commenced in April 2010. The Group targets to complete the building in mid 2011.

The foundation work at No. 194 - 196 Queen's Road Central, Hong Kong is in progress and the Group aims to complete this new boutique hotel by 2012.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 March 2010, the Group's total borrowings were approximately HK\$1,075 million, representing a decrease of approximately HK\$96 million from last year. The maturity profile spreads over a period of 30 years, with approximately HK\$606 million repayable within one year, approximately HK\$292 million within two to five years and HK\$177 million beyond five years.

At the year end date, the Group's gearing ratio was 0.56 (2009: 1.00) which is calculated based on the Group's long-term borrowings of approximately HK\$469 million and shareholders' funds of approximately HK\$836 million.

As at 31 March 2010, the Group's total bank balances and cash was approximately HK\$135 million (2009: HK\$140 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 2010, 76% of the Group's borrowings was in HK\$, 8% in US\$, 10% in JPY and 6% in CAD. As at 31 March 2010, 47% of the Group's bank balances and cash was in HK\$, 22% in US\$, 1% in RMB, 9% in CAD, 19% in JPY, 1% in EUR 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 2010, certain properties of the Group of approximately HK\$1,337 million (2009: HK\$1,480 million) were pledged to secure banking facilities for the Group.

Employees

As at 31 March 2010, the Group employed approximately 1,800 employees in Hong Kong, the PRC and other overseas countries. The staff costs for the year including directors' emoluments amounted to HK\$96 million (2009: HK\$108 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 472,000 (2009: 25,916,000) 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 HK\$
		Highest	Lowest	
		HK\$	HK\$	
May 2009	16,000	0.320	0.300	5,226
August 2009	456,000	0.395	0.385	179,052
	<u>472,000</u>			<u>184,278</u>

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange.

An audit committee has been established by the Company to review and supervise the Company’s financial reporting process and internal controls and review the relationship with the auditors. The audit committee has held meetings in accordance with the relevant requirements and reviewed the results for the year ended 31 March 2010.

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors of the Company who have confirmed that during this financial 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 2010 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
LEE YUEN CHING JIMMY
Chairman

Hong Kong, 12 July 2010

As at the date of this announcement, the executive Directors of the Company are Mr. Lee Yuen Ching, Jimmy, Mr. Lee Yuen Kui, James, Mr. Lee Bon Chi, Loewe, 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 are Dr. Samson Sun, M.B.E., J.P., Mr. Chan Chak Cheung, William and Mr. Chan Kwok Wai.