NAM HING HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 986)

Annual Report 2007




Contents

Corporate Information

Directors

Mr. Lau Kwai *(Chairman)*
Mr. Lau Chung Yim
(Managing Director and Chief Executive Officer)
Mr. Lau Chung Hung
Mr. Lau Hing Hai
Ms. Lau May Wah
Mr. Kwok Kwan Hung
Mr. Chang Tso Tung Stephen*
Mr. Leung Hon Ming*
Mr. Pravith Vaewhongs*

* *Independent Non-executive Directors*

Company secretary and qualified accountant

Mr. Kwok Kwan Hung

Audit Committee

Mr. Chang Tso Tung Stephen *(Chairman)*
Mr. Leung Hon Ming
Mr. Pravith Vaewhongs

Remuneration Committee

Mr. Lau Chung Yim *(Chairman)*
Mr. Chang Tso Tung Stephen
Mr. Leung Hon Ming

Auditors

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Registered office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business

27th Floor
Yuen Long Trade Centre
99-109 Castle Peak Road
Yuen Long
New Territories
Hong Kong

Principal bankers

DBS Bank (Hong Kong) Limited
DBS Bank Limited, Shanghai Branch
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Bank of Communications, Hong Kong Branch
Shanghai Commercial Bank Limited

Principal share registrar and transfer office

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong branch share registrar and transfer office

Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

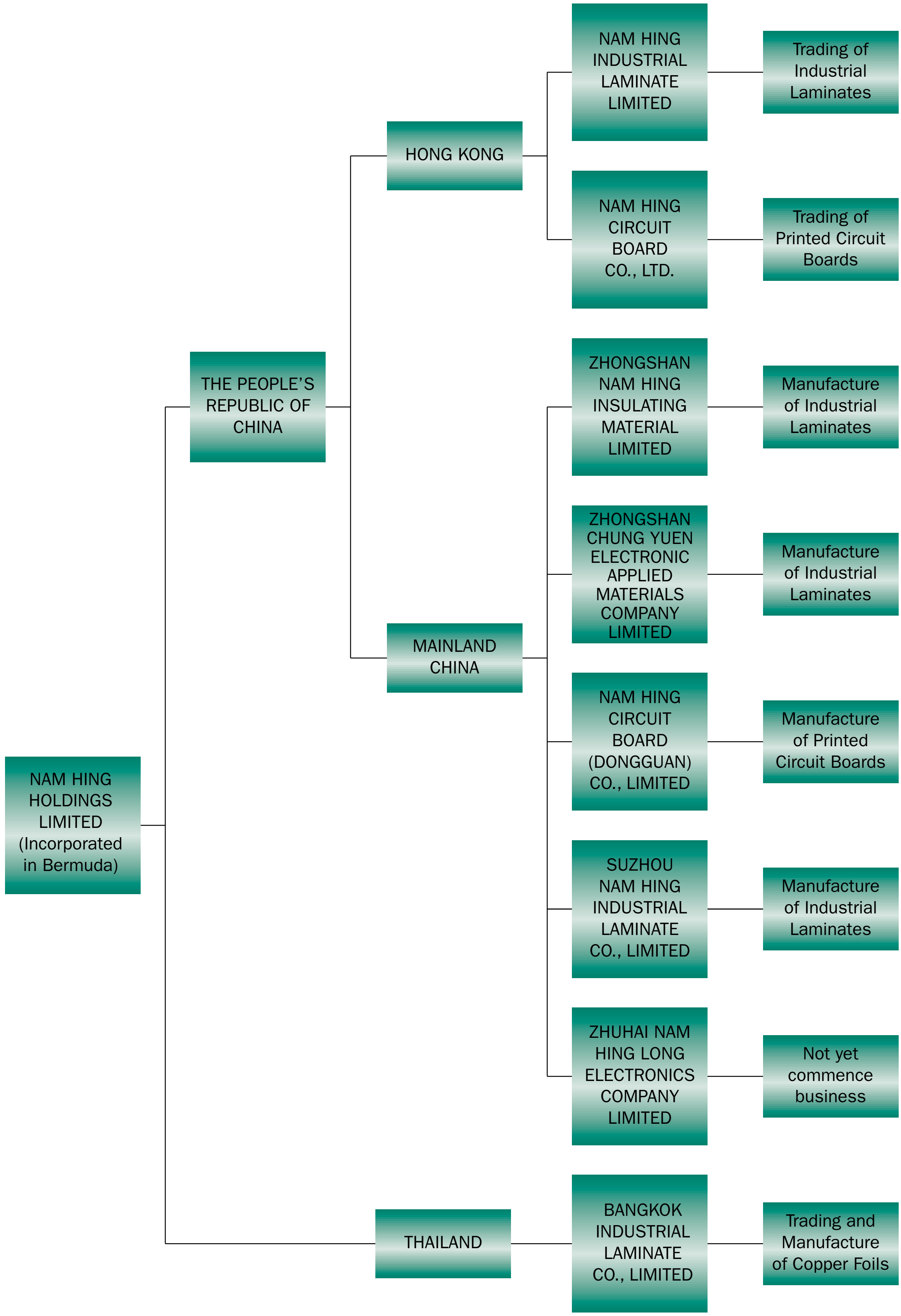
Website

http://www.namhingholdings.com

Stock Code

986

Corporate Structure



Chairman's Statement

I am pleased to report to shareholders the annual report of Nam Hing Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2007.

BUSINESS REVIEW

The consolidated turnover of the Group for the year ended 31 March 2007 was HK$328,085,000, representing a 16.7% increment as compared to HK$281,128,000 of the previous year. However, the loss of the Group increased from HK$7,147,000 to HK$36,124,000 despite the increase in turnover.

In summary, the loss, which arose mainly in the second half of the year, was attributed significantly to the following issues. Firstly, the Group has experienced higher pressure on squeezing of profit margin in the laminate division, especially the paper base products, since November 2006. This resulted in a drop of overall gross profit margin of the Group from 10.5% in the previous year to 5.4% in this year. Secondly, the new Suzhou laminate factory commenced operation in September 2006 and, due to its small initial production volume, it recorded a loss of HK$7,968,000 during the period since September 2006. Moreover, there is a significant exchange loss of HK$8,501,000 due to re-translation of inter-company balances of the Group's subsidiary as a result of the revaluation of Thai Baht. However, the revaluation of the overseas assets denominated in Renminbi ("RMB") and Thai Baht, which resulted in a gain in the reserve of HK$25,192,000, was not taken into account in the Income Statement.

Industrial Laminate Division

New Industrial Laminate Plant in Suzhou, the PRC

During the year under review, the industrial laminate business has still been the core business of the Group and the division's turnover accounted for approximately 70.0% of the Group's turnover. It achieved a turnover of HK$229,702,000 for the year (2006: HK$193,099,000), which is an increase of 19.0% compared to that of the previous year. However, as mentioned above, during the second half of the year, the Group faced profit margin squeeze because of increases in raw material costs and production costs. The increase in production costs was due to the appreciation of currencies (RMB and Thai Baht) in the countries where the Group's manufacturing bases are located. The pressure was more serious for paper base laminate because of the more competitive environment. For this reason, the Group started its expansion into new overseas markets such as South America and other Asian countries during the second half of the year. Certain market shares were captured during the period but the profit margin is still minimal during the initial stage of promotion.

The Group's Suzhou plant started commercial production in September 2006. Although loss was recorded, this new laminate plant is part of the Group's long term strategic plan to provide services to potential customers in the eastern part of Mainland China where large numbers of multi-national companies and sizeable electronic companies are situated. The management considers that the demand over that region will be great and has set up a new marketing team to explore new business opportunities there. Several customers were approached and sales orders are expected to increase gradually in the coming future.

As a whole, the Group will carefully monitor the operation of paper base laminate in view of its low profit margin and high competitive nature. On the other hand, continuous emphasis will be placed on marketing and manufacturing of glass laminate, which produces relatively higher profit margin.

Printed Circuit Board Division (PCB)

For the year ended 31 March 2007, the PCB division recorded a turnover of HK$96,631,000 (2006: HK$86,615,000) and achieved a gross profit margin of 18.0% (2006: 18.5%). During the year, the Group has successfully transformed its customer base to more high-end customers and overseas customers. The division has also successfully transferred the increases in production cost and raw material cost to its customers which can further enhance its sustainability and competitiveness. However, the Group's existing capacity in Dongguan has already reached its optimal level and therefore, there is not much room for increase in production capacity despite the demand is still strong. As a result, the turnover of the PCB division did not have significant growth and it only accounted for 29.5% of the Group's turnover.

One of the Drilling Machine in Dongguan Plant

Seeing the better competitive edge of the PCB division, the management planned to re-allocate more of the Group's resources into it in the future. The construction of new production facility for double-sized and multilayer PCBs in Zhuhai, China will be completed by end of this year and is expected to start production in early 2008.

Moreover, the Group will continue to focus on research and development of multilayer products in PCB as the market demand for these products, especially export market, is expected to be promising. Additional effort will also be made in exploring new customers and participating in more exhibitions and marketing activities overseas.

Copper Foils Division

Copper Foil Manufacturing Plant in Thailand

For the year ended 31 March 2007, the copper foils plant in Thailand continued to play an important role in being an internal supplier of copper foils to the Group. The sustained high copper price and appreciation of Thai Baht exerted great pressure on the Group as copper is a major component of raw material of laminate. Additional effort has been made in streamlining the production process continuously. Furthermore, the senior management has been very cautious on the procurement of copper and will consider suitable alternative sources of supplies and hedging measure in order to minimize the adverse effect brought forth by the sustained high level of copper prices.

Conclusion

The financial year under review was a challenging and difficult year for the Group. The continuing appreciation of RMB and Thai Baht will definitely put pressure on the Group in its future operating costs as all the Group's manufacturing bases are in Mainland China and Thailand. However, the management considers the continuing blooming of the economy in Mainland China and Asian countries provides opportunities for the Group in exploring markets and customers. Therefore, the Group, being a committed and long-established player in the electronic industry, will re-position itself and will implement further process to enhance its competitiveness. A series of measures to improve the operating efficiencies and cashflow have been launched since the end of March 2007. More marketing efforts will also be placed to capture new markets in both China and overseas. The Group expects that the benefits of such measures will be crystallized in the upcoming financial years.

Front View of the Industrial Laminate Plant in Zhongshan, the PRC

LIQUIDITY AND FINANCIAL RESOURCES

It is the Group's policy to rely on internally generated funds and bank borrowings to finance its operations and expansion projects.

As at 31 March 2007, the Group's total cash and bank balances and pledged fixed deposits amounted to HK$13,479,000 (2006: HK$14,763,000). The total interest-bearing bank loans and other borrowings increased from HK$123,720,000 as at 31 March 2006 to HK$145,920,000 as at 31 March 2007. Finance costs incurred increased from HK$4,939,000 for the year ended 31 March 2006 to HK$8,543,000 for the year ended 31 March 2007. The Group's gearing ratio, being the ratio of bank and other borrowings plus finance lease payables to total shareholders' equity, also increased to 0.79 as compared to 0.63 as at 31 March 2006. Moreover, the Group has a current ratio of 0.85 (2006: 0.96) and net current liabilities of HK$34,744,000 as at 31 March 2007 (2006: HK$6,477,000).

The overall financial position of the Group as at 31 March 2007 is less favourable as compared with that of the last year because of the operating loss incurred during the second half of the year. The management considered the current bank borrowing level and gearing ratio at a reasonable level but will put immediate efforts to restore, through certain financing activities, the net current liabilities situation arising from the mismatch of short-term and long-term borrowings in previous years. Furthermore, the management has already implemented plans to dispose of certain non-operating properties and assets to provide additional working capital for the Group's operation.

The debt maturity profile of the Group is analysed as follows:

	As at 31 March	
	2007	2006
	HK$'000	HK$'000
Repayable within one year	**138,272**	114,867
Repayable in the second year	**4,426**	1,985
Repayable in the third to fifth years, inclusive	**3,222**	6,868
	145,920	123,720

The Group's borrowings and cash and bank balances are primarily denominated in Hong Kong dollars, Thai Baht and RMB. Given the continuous appreciation of Thai Baht and RMB, the Group is expected to experience pressures on its operating costs. Therefore, subsequent to year end date, the Group has started carrying out hedging activity to reduce certain of its foreign currency exposure in RMB through the execution of forward contracts products offered by its existing bankers. The management will monitor from time to time the Group's exposure to fluctuations in foreign exchange rates and will consider other suitable hedging products that can help in reducing its foreign currency risk.

Contingent Liabilities

At 31 March 2007, the Company had guarantees given to banks in connection with facilities granted to its subsidiaries to the extent of approximately HK$152,513,000 (2006: HK$141,138,000), of which HK$130,610,000 (2006: HK$111,253,000) had been utilised at the balance sheet date.

The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$319,000 (2006: HK$234,000). A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Pledge of Assets

As at 31 March 2007, the Group's assets pledged as security for banking facilities amounted to approximately HK$83,577,000 (2006: HK$50,736,000).

Employment, Training and Remuneration Policy

During the year under review, the Group continued to reduce the size of its workforce and strengthen staff quality through staff development and training programmes. The Group had approximately 1,098 employees as at 31 March 2007 (2006: 1,109). Remunerations are commensurate with the nature of jobs, experience and market conditions. Eligible employees are offered discretionary bonuses and share options depending on the Group's performance and individual effort. The principle is reward for performance.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 24 September 2007 to Friday, 28 September 2007 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the annual general meeting of the Company to be held on Friday, 28 September 2007, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 21 September 2007.

APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere appreciation to all management and staff for their diligence and continuing support.

ON BEHALF OF THE BOARD

LAU Kwai
Chairman

Hong Kong
23 July 2007

Corporate Governance Report

The board of directors of the Company (the "Board") is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 March 2007.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Company is committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance with emphasis on transparency, independence and accountability with a view to safeguarding the interests of shareholders and enhancing corporate value.

The Code on Corporate Governance Practices (the "CG Code") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") sets out the principles of good corporate governance and two levels of corporate governance practices, being (i) the code provisions which listed issuers are expected to comply with or to give considered reasons for any deviation; and (ii) the recommended best practices, for guidance only, which listed issuers are encouraged to comply with.

The Company has complied with the code provisions set out in the CG Code save for a 3 months' non-compliance with the code provision B.1.1 which stipulates that a majority of the members of a listed issuer's remuneration committee should be independent non-executive directors. Such code provision has subsequently been complied with by the Company. The details of such deviation and subsequent compliance will be explained below.

The Company reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and investors and to comply with the increasingly tightened regulatory requirements. The key corporate governance principles and practices of the Company are summarized as follows:

A. THE BOARD

(1) Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All directors take decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the Executive Committee, the Chief Executive Officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

Every director carries out his/her duty in good faith and acts in the interests of the Company and its shareholders at all times.

A. THE BOARD (continued)

(2) Board Composition

The Board comprises the following 9 members:

Executive directors:–

Mr. Lau Kwai, *Chairman of the Board and member of the Executive Committee*
Mr. Lau Chung Yim, *Chief Executive Officer, Managing Director and the Chairman of the Executive Committee and the Remuneration Committee*
Mr. Lau Chung Hung, *member of the Executive Committee*
Mr. Lau Hing Hai, *member of the Executive Committee*
Ms. Lau May Wah, *member of the Executive Committee*
Mr. Kwok Kwan Hung, *member of the Executive Committee*

Independent non-executive directors:–

Mr. Chang Tso Tung Stephen, *Chairman of the Audit Committee and member of the Remuneration Committee*
Mr. Leung Hon Ming, *member of the Audit Committee and the Remuneration Committee*
Mr. Pravith Vaewhongs, *member of the Audit Committee*

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The relationships among the members of the Board are disclosed under "Brief biographical details in respect of directors and senior management staff" on pages 26 to 29.

Rule 3.10(1) of the Listing Rules requires that every listed issuer must have at least three independent non-executive directors. During the year ended 31 March 2007, the Company has not complied with such requirement for a period of approximately 3 months from 1 August 2006 to 30 October 2006 due to the re-designation of Mr. Kwok Kwan Hung from an independent non-executive director to an executive director and his appointment as the qualified accountant and company secretary of the Company on 1 August 2006 to fill the vacancy left by the resignation of the former qualified accountant and company secretary. Following his re-designation, there were left with two independent non-executive directors, namely Mr. Chang Tso Tung Stephen (who possesses appropriate professional qualifications and accounting and related financial management expertise) and Mr. Leung Hon Ming. Since then, the Company has endeavoured to identify a suitable candidate to fill the position and on 31 October 2006, Mr. Pravith Vaewhongs was appointed as an independent non-executive director of the Company. Details of the said re-designation of director and appointment of independent non-executive director are set out in the Company's announcements dated 1 August 2006 and 2 November 2006 respectively.

A. THE BOARD (continued)

(2) Board Composition (continued)

The Company has received written annual confirmations from the three independent non-executive directors respectively for confirming their independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

The non-executive directors bring independent judgement, business and financial expertise and experiences to the Board. Through their participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, the independent non-executive directors make various contributions to the Company.

(3) Chairman and Chief Executive Officer

The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals and have been clearly defined in writing.

The Chairman of the Board is Mr. Lau Kwai and the Chief Executive Officer is Mr. Lau Chung Yim. With the support of the Company's secretary and the senior management, the Chairman is responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefings on issues arising at Board meetings. The Chief Executive Officer is in charge of the Company's day-to-day management and operations and focuses on implementing objectives, policies and strategies approved and delegated by the Board.

(4) Appointment and Re-election of Directors

Each of the directors of the Company is engaged on a service contract for a fixed term. The term for all the executive directors is 3 years except Mr. Kwok Kwan Hung whose term is 1 year. The term of office of the two independent non-executive directors, namely Mr. Chang Tso Tung Stephen and Mr. Leung Hon Ming, is up to the date of holding of the Company's 2008 annual general meeting while the term of office of the other independent non-executive director, Mr. Pravith Vaewhongs is 1 year.

A. THE BOARD (continued)

(4) Appointment and Re-election of Directors (continued)

In accordance with the Company's Bye-laws, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. Pursuant to the aforesaid, Mr. Pravith Vaewhongs, having been appointed as an independent non-executive director of the Company during the year, shall retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company. In addition, Mr. Lau Chung Hung, Ms. Lau May Wah and Mr. Kwok Kwan Hung shall retire by rotation and, being eligible, offer themselves for re-election at the said annual general meeting. The Board recommended the re-appointment of these four retiring directors standing for re-election at the forthcoming annual general meeting. The Company's circular, sent together with this annual report, contains detailed information of such directors standing for re-election.

Though the Company has not set up a nomination committee, the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment, re-appointment and succession planning of directors and assessing the independence of independent non-executive directors.

The Company has adopted Directors' Nomination Procedures as a written guideline in providing a formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

A. THE BOARD (continued)

(4) Appointment and Re-election of Directors (continued)

During the year under review and up to the date of this annual report, the Board met twice, with the presence of Mr. Lau Chung Yim, Mr. Lau Chung Hung, Mr. Lau Hing Hai, Ms. Lau May Wah, Mr. Kwok Kwan Hung, Mr. Chang Tso Tung Stephen and Mr. Leung Hon Ming for the first meeting and with the presence of Mr. Lau Kwai, Mr. Lau Chung Yim, Mr. Lau Hing Hai, Ms. Lau May Wah, Mr. Kwok Kwan Hung, Mr. Chang Tso Tung Stephen, Mr. Leung Hon Ming and Mr. Pravith Vaewhongs for the second meeting, for (i) reviewing the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Company; (ii) recommending the re-appointment of those directors standing for re-election at the annual general meeting of the Company; and (iii) assessment of the independence of the independent non-executive directors of the Company.

(5) Training and Continuing Development for Directors

Each newly appointed director, including Mr. Pravith Vaewhongs who was appointed during the year ended 31 March 2007, receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Continuing briefings and professional development for directors will be arranged whenever necessary.

(6) Board Meetings

(I) Board Practices and Conduct of Meetings

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

A. THE BOARD (continued)

(6) Board Meetings (continued)

(I) Board Practices and Conduct of Meetings (continued)

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making request to the Board.

The Chief Executive Officer, Qualified Accountant and Company Secretary normally attend regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

The Company's Bye-laws contains provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

A. THE BOARD (continued)

(6) Board Meetings (continued)

(II) Directors' Attendance Records

During the year ended 31 March 2007, 5 Board meetings were held, out of which 4 were regular meetings held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering the overall strategies and policies of the Company.

The attendance records of each director at meetings of the Board and the Board committees during the year ended 31 March 2007 are set out below:

	Attendance/Number of Meetings		
Name of Directors	Board	Remuneration committee	Audit Committee
Executive directors			
Mr. Lau Kwai	3/5	N/A	N/A
Mr. Lau Chung Yim	5/5	1/1	N/A
Mr. Lau Chung Hung	4/5	N/A	N/A
Mr. Lau Hing Hai	4/5	N/A	N/A
Ms. Lau May Wah	5/5	N/A	N/A
Mr. Kwok Kwan Hung	5/5	1/1 (Note 1)	2/2 (Note 1)
Independent non-executive directors			
Mr. Chang Tso Tung Stephen	5/5	1/1	3/3
Mr. Leung Hon Ming	5/5	N/A (Note 2)	2/3
Mr. Pravith Vaewhongs	2/2 (Note 3)	N/A	1/1 (Note 3)

Notes:–

1. Mr. Kwok Kwan Hung ceased to be an independent non-executive director and a member of each of the Remuneration Committee and Audit Committee of the Company on 1 August 2006 upon his re-designation as an executive director of the Company on 1 August 2006. Before his re-designation, there were a total of 1 Remuneration Committee meeting and 2 Audit Committee meetings held during the year ended 31 March 2007, to which he was entitled to attend.

A. THE BOARD (continued)

(6) Board Meetings (continued)

(II) Directors' Attendance Records (continued)

2. Mr. Leung Hon Ming was appointed as a member of the Remuneration Committee on 31 October 2006. Subsequent to his appointment, there was no Remuneration Committee meeting held during the year ended 31 March 2007.

3. Mr. Pravith Vaewhongs was appointed as an independent non-executive director of the Company and a member of the Audit Committee on 31 October 2006. Subsequent to his appointment, there were a total of 2 Board meetings and 1 Audit Committee meeting held during the year ended 31 March 2007.

(7) Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Own Code and the Model Code throughout the year ended 31 March 2007.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company and/or its securities.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

B. DELEGATION BY THE BOARD

The Board reserves for its decisions all major matters of the Company, including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Every director shall ensure that he carries out his duty in good faith and in compliance with the standards of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.

In order to increase the efficiency for the business decision, the Board established an Executive Committee with written terms of reference. The Committee comprises all the executive directors of the Company with the Chief Executive Officer, Mr. Lau Chung Yim, acting as the chairman of such Committee. The principal duties of the Executive Committee include monitoring the execution of the Company's strategic plans and operations of all business units of the Company and discussing and making decisions on matters relating to the day-to-day management and operations of the Company.

The Board has also delegated a schedule of responsibilities to the senior management of the Company. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the production and operating plans and budgets, and supervising and monitoring the control systems.

The Board has the full support of the senior management to discharge its responsibilities.

C. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established procedures for formulating policies on remuneration of directors and senior management of the Group. Details of the remuneration of each of the directors of the Company for the year ended 31 March 2007 are set out on pages 69 to 70 in note 8 to the financial statements.

Remuneration Committee

The Remuneration Committee currently comprises 3 members, being one executive director, Mr. Lau Chung Yim (chairman), and two independent non-executive directors, namely Mr. Chang Tso Tung Stephen and Mr. Leung Hon Ming. During the year ended 31 March 2007, the Company has not complied with the code provision B.1.1 of the CG Code (which stipulates that a majority of the members of a listed issuer's remuneration committee should be independent non-executive directors) for a period of approximately 3 months from 1 August 2006 to 30 October 2006 due to the cessation of Mr. Kwok Kwan Hung as a member of the Remuneration Committee upon his re-designation from an independent non-executive director to an executive director of the Company on 1 August 2006. After such re-designation, the Remuneration Committee was left with two members, being Mr. Lau Chung Yim and Mr. Chang Tso Tung Stephen. The Company has subsequently complied with the said code provision B.1.1 by appointing Mr. Leung Hon Ming as a member of the Remuneration Committee on 31 October 2006.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee normally meets annually for reviewing the remuneration policy and structure; reviewing and considering the annual remuneration packages of the executive directors and the senior management and other related matters. The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman and/or the Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee met once during the year ended 31 March 2007 and the attendance record is set out under "Directors' Attendance Records" on page 15.

D. ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in respect of the Financial Statements

The directors have acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 March 2007.

As explained in the Independent Auditors' Report and note 2.1 to the financial statements contained in this annual report, the financial statements of the Group for the year ended 31 March 2007 have been prepared on a going concern basis, notwithstanding that the Group incurred a loss attributable to the equity holders of the parent of HK$36,124,000 during the year ended 31 March 2007 and, as at that date, the Group reported consolidated net current liabilities of HK$34,744,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern.

The directors are aware of the afore-mentioned material uncertainty and have taken various measures to improve the financial situation, including but not limited to, disposal of certain of the Group's property for providing additional working capital for the Group; obtaining advances/loans from certain directors and additional banking facilities for providing adequate funds for the Group to meet its liabilities as and when they fall due; and implementating cost control measures continuously.

On the basis that all banking facilities will be continuously available for the Group's use, the directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the 12 months from 31 March 2007. In view of the measures taken and the concerted effort made and to be made to improve the situation, the directors are of the opinion that it is appropriate to prepare the Group's audited financial statements for the year ended 31 March 2007 on a going concern basis.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company put to the Board for approval.

E. INTERNAL CONTROLS

The Board has overall responsibilities for and is fully aware of the importance of maintaining an adequate internal control system to safeguard shareholders' interests and assets of the Group. During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Group. The Board will continue to review and evaluate the control process, identify and manage potential risks and consider measures to address the identified risks.

F. AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive directors, namely Mr. Chang Tso Tung Stephen (chairman), Mr. Leung Hon Ming and Mr. Pravith Vaewhongs, and Mr. Chang Tso Tung Stephen possesses the appropriate professional qualifications and accounting and related financial management expertise.

Rule 3.21 of the Listing Rules requires the audit committee of a listed issuer to comprise a minimum of three members with independent non-executive directors in majority. During the year ended 31 March 2007, the Company has not complied with such requirement for a period of approximately 3 months from 1 August 2006 to 30 October 2006 due to the re-designation of Mr. Kwok Kwan Hung from an independent non-executive director to an executive director on 1 August 2006 as mentioned before. Following his re-designation, the Company's Audit Committee has only two members, namely Mr. Chang Tso Tung Stephen and Mr. Leung Hon Ming. Since then, the Company has endeavoured to identify a suitable candidate to fill the position and on 31 October 2006, Mr. Pravith Vaewhongs was appointed as an independent non-executive director as well as a member of the Audit Committee of the Company.

The main duties of the Audit Committee include:

- Review of the financial information of the Group;
- Review of the relationship with and the terms of appointment of the external auditors; and
- Review of the Company's financial reporting system, internal control system and risk management system.

The Audit Committee held three meetings during the year ended 31 March 2007 to review the Group's annual results and report for the year ended 31 March 2006, interim results and report for the six months ended 30 September 2006, the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management review and considered the re-appointment of the external auditors. The external auditors were invited to attend one of the meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters.

The attendance records of the three Audit Committee's meetings are set out under "Directors' Attendance Records" on page 15.

G. EXTERNAL AUDITORS AND AUDITORS REMUNERATION

The statement of the external auditors of the Company, Messrs Ernst & Young, about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report of the Auditors" on pages 35 to 37.

An analysis of the remuneration paid to such external auditors in respect of the audit and non-audit services for the year ended 31 March 2007 is set out below:–

Category of services	Fee paid/payable
Audit service for the year ended 31 March 2007	HK$1,060,000
Non-audit service	
– Taxation	HK$63,400
Total	HK$1,123,400

H. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. General meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Remuneration Committee and the Audit Committee and, in their absence, other members of the respective committees normally attend the annual general meeting of the Company to answer questions raised by the shareholders.

To promote effective communication, the Company maintains a website at www.namhingholdings.com, where information on the Company's financial information, corporate governance practices and other information are posted. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong for any inquiries.

I. SHAREHOLDERS' RIGHTS

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Bye-laws. Details of such rights to demand a poll are included in all circulars to shareholders and explained during the proceedings of shareholders' meetings.

Where poll voting is conducted at a shareholders' meeting, the poll voting results will be published on the websites of the Stock Exchange and the Company after the meeting.

Report of the Directors

The directors present their report and the audited financial statements of Nam Hing Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Company's and the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 38 to 100.

The directors did not recommend the payment of any dividend by the Company in respect of the year.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**328,085**	281,128	277,082	257,599	223,722
Profit/(loss) before tax	**(36,095)**	(6,988)	6,004	(15,622)	(9,864)
Tax	**(29)**	(159)	(1,105)	38	(178)
Profit/(loss) for the year	**(36,124)**	(7,147)	4,899	(15,584)	(10,042)

SUMMARY OF FINANCIAL INFORMATION (continued)

	At 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**188,127**	172,968	170,923	174,174	178,209
Investment properties	**21,400**	20,980	4,520	4,480	4,330
Prepaid land lease payments	**14,528**	14,080	14,097	13,525	13,876
Trademark	**2,329**	2,226	2,172	2,170	2,171
Current assets	**195,244**	169,457	117,316	131,487	122,117
Current liabilities	**(229,988)**	(175,934)	(104,721)	(119,280)	(114,221)
Net current assets/(liabilities)	**(34,744)**	(6,477)	12,595	12,207	7,896
Total assets less current liabilities	**191,640**	203,777	204,307	206,556	206,482
Long term portion of bank and other borrowings	**(7,648)**	(8,245)	(6,314)	(13,944)	(10,025)
Long term portion of finance lease payables	**–**	(608)	(1,248)	(1,749)	(3,927)
	183,992	194,924	196,745	190,863	192,530

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment are set out in note 13 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the Group's investment properties are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of the Company's share options are set out in note 27 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2007, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK$74,163,000. In addition, the Company's share premium account in the amount of HK$124,711,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the sales attributable to the Group's five largest customers accounted for less than 30% of the total sales for the year.

In the year under review, the purchases attributable to the Group's five largest suppliers accounted for approximately 44% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 14%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Lau Kwai	
Mr. Lau Chung Yim	
Mr. Lau Chung Hung	
Mr. Lau Hing Hai	
Ms. Lau May Wah	
Mr. Kwok Kwan Hung	(re-designated as an executive director on 1 August 2006)

Independent non-executive directors:

Mr. Chang Tso Tung Stephen	
Mr. Kwok Kwan Hung	(re-designated as an executive director on 1 August 2006)
Mr. Leung Hon Ming	
Mr. Pravith Vaewhongs	(appointed on 31 October 2006)

In accordance with clause 86(2)(b) of the Company's Bye-laws, Mr. Pravith Vaewhongs, who was appointed by the Board during the year, will retire at the Company's forthcoming annual general meeting (the "AGM"). In addition, pursuant to clause 87 of the Company's Bye-laws, Mr. Lau Chung Hung, Ms. Lau May Wah and Mr. Kwok Kwan Hung will retire as directors of the Company by rotation at the AGM. All of the above four retiring directors, being eligible, will offer themselves for re-election at the AGM.

The Company has received annual confirmation of independence from each of Mr. Chang Tso Tung Stephen, Mr. Leung Hon Ming and Mr. Pravith Vaewhongs pursuant to Rule 3.13 of The Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and considers all of them to be independent.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

Mr. Lau Kwai, aged 87, is the Chairman of the Group. He is also a director of various subsidiaries of the Company. Mr. Lau is responsible for overseeing the strategic direction of the Group. He founded the Group in 1977 and has over 40 years' experience in the laminate and printed circuit board industries. He is a member of Hong Kong Chiu Kiu Fraternity Limited. Mr. Lau Kwai is the father of Mr. Lau Chung Yim, Mr. Lau Chung Hung, Mr. Lau Hing Hai and Ms. Lau May Wah (all of whom are executive directors and deemed substantial shareholders of the Company) as well as the father of Mr. Lau Chung Pun, Daniel (senior management staff of the Company).

Mr. Lau Chung Yim, aged 57, is the Managing Director and the Chief Executive Officer of the Group and the chairman of the Company's Remuneration Committee. He is also a director of various subsidiaries of the Company. Mr. Lau is responsible for corporate planning and overall operation of the Group. He holds a bachelor's degree in mechanical engineering from the University Mass at Lowell, United States of America and is a registered professional engineer in the province of Ontario, Canada. He joined the Group in 1977 and has over 30 years' experience in the production of laminates and printed circuit boards. Mr. Lau Chung Yim is a son of Mr. Lau Kwai (Chairman of the Board and a deemed substantial shareholder of the Company), a brother of Mr. Lau Chung Hung, Mr. Lau Hing Hai and Ms. Lau May Wah (all of whom are executive directors and deemed substantial shareholders of the Company) and a brother of Mr. Lau Chung Pun, Daniel (senior management staff of the Company).

Mr. Lau Chung Hung, aged 54, is an executive director of the Company. He is also a director of various subsidiaries of the Company. Mr. Lau is responsible for the business development of the Group. He holds a master's degree in business administration from the University of East Asia, Macau, a post-graduate diploma in corporate administration from City University of Hong Kong and a diploma in business administration from Hong Kong Shue Yan University. Mr. Lau is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He joined the Group in 1977 and has over 30 years' experience in the trading of laminates and printed circuit boards. Mr. Lau Chung Hung is a son of Mr. Lau Kwai (Chairman of the Board and a deemed substantial shareholder of the Company), a brother of Mr. Lau Chung Yim, Mr. Lau Hing Hai and Ms. Lau May Wah (all of whom are executive directors and deemed substantial shareholders of the Company) and a brother of Mr. Lau Chung Pun, Daniel (senior management staff of the Company).

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF (continued)

Mr. Lau Hing Hai, aged 52, is an executive director of the Company. He is also a director of various subsidiaries of the Company. Mr. Lau is in charge of the corporate policies and corporate development of the Group. He holds a bachelor's degree in business administration from the University of Southwestern Louisiana, United States of America. He joined the Group in 1978 after his graduation and has 29 years' experience in the corporate product lines and market development. Mr. Lau Hing Hai is a son of Mr. Lau Kwai (Chairman of the Board and a deemed substantial shareholder of the Company), a brother of Mr. Lau Chung Yim, Mr. Lau Chung Hung and Ms. Lau May Wah (all of whom are executive directors and deemed substantial shareholders of the Company) and a brother of Mr. Lau Chung Pun, Daniel (senior management staff of the Company).

Ms. Lau May Wah, aged 60, is an executive director of the Company. She is also a director of various subsidiaries of the Company. Ms. Lau is the general manager of Nam Hing Circuit Board (Dongguan) Co., Limited and is responsible for the printed circuit board operation of the Group. She joined the Group in 1977 and has over 30 years' experience in the printed circuit board industry. Ms. Lau May Wah is a daughter of Mr. Lau Kwai (Chairman of the Board and a deemed substantial shareholder of the Company), a sister of Mr. Lau Chung Yim, Mr. Lau Chung Hung and Mr. Lau Hing Hai (all of whom are executive directors and deemed substantial shareholders of the Company) and a sister of Mr. Lau Chung Pun, Daniel (senior management staff of the Company).

Mr. Kwok Kwan Hung, aged 41, was appointed as an independent non-executive director of the Company in September 2004 and has been re-designated as an executive director of the Company since 1 August 2006. Mr. Kwok also acts as the qualified accountant and company secretary of the Company. He is a fellow member of both The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He is a qualified accountant with a bachelor's degree in Economics from the University of London. Mr. Kwok has previously served for two investment banking groups and one of the "big four" international accounting firms in Hong Kong. He has over 18 years of experience in auditing, financial management and corporate finance. Currently, Mr. Kwok is an independent non-executive director of Galileo Capital Group Limited (a company listed on the Growth Enterprise Market of the Stock Exchange with the stock code 8029).

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF (continued)

Mr. Chang Tso Tung Stephen, aged 58, was appointed as an independent non-executive director of the Company on 1 April 2005. He is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Chang graduated from London University with a bachelor's degree in science in 1973. He is a fellow member of both The Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. He had worked in Messrs Ernst & Young, Hong Kong ("E&Y"), a certified public accounting firm, for around 30 years and retired in December 2003. His last position held in E&Y was Deputy Chairman. He has extensive experience in accounting, auditing and financial management. Besides, Mr. Chang is also an independent non-executive director of GST Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Leung Hon Ming, aged 54, has been an independent non-executive director of the Company since 1994. He is also a member of both the Audit Committee and the Remuneration Committee of the Company. Mr. Leung is a director of Seniorman Design Limited. He holds a bachelor's degree in architecture from the University of Southwestern Louisiana, United States of America. He is a member of the Hong Kong Institute of Architects and the Royal Institute of British Architects, and has been registered as an Authorised Person (List 1) since 1981. Mr. Leung has over 26 years of professional experience in architectural, interiors and urban planning in Hong Kong and the Mainland China.

Mr. Pravith Vaewhongs, aged 61, was appointed as an independent non-executive director of the Company on 31 October 2006. He is also a member of the Audit Committee of the Company. He holds a bachelor's degree in chemistry from Chiang Mai University, Thailand and a master's degree in chemical engineering from the University of Massachusetts at Lowell, United States of America. Mr. Vaewhongs gained professional experience in design, construction and operation of natural gas processing plant owned by Petroleum Authority of Thailand ("PTT") and then, of High Density Polyethylene ("HDPE") plant owned by Bangkok Polyethylene Public Company Limited ("BPE"). During his employment in BPE, as a plant manager he took responsibility of plant management for cost control and revenue. After retirement in 2006 at the age of 55, he continued his service in BPE as a Corporate Advisor and was responsible for HDPE products development for domestic and export marketing. Until 2006, he was transferred to be a Corporate Advisor to PTT Chemical Public Company Limited, a company listed on The Stock Exchange of Thailand.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF (continued)

Senior management staff:

Mr. Lau Chung Pun, Daniel, aged 40, is a son of Mr. Lau Kwai and a brother of Mr. Lau Chung Yim, Mr. Lau Chung Hung, Mr. Lau Hing Hai and Ms. Lau May Wah (all of whom are directors and deemed substantial shareholders of the Company) is the Assistant General Manager of Zhongshan Nam Hing Insulating Material Limited. He holds a bachelor's degree and a master's degree in electrical engineering from the University of Southern California, the USA. He had extensive experience in computer software simulations before joining the Group in 1995.

Ms. Ip Sau Wah Katherine, aged 47, is the administrative manager of the Group. She joined the Group in 1997 and has extensive experience in office administration and the human resources field.

Mr. Vittaya Rugbumrung, aged 48, is the Maintenance and Project Manager and the Deputy to the Assistant General Manager of Bangkok Industrial Laminate Company Limited. He holds a diploma in Electrical Power Technology from South-East Asia College. Mr. Rugbumrung joined the Group in March 1994 and has 24 years' working experience in manufacturing industries.

DIRECTORS' SERVICE CONTRACTS

On 1 January 2006, the Company entered into service contracts with each of the executive directors for the provision of management services by these directors to the Group for a term of three years.

Mr. Kwok Kwan Hung has entered into a service contract with the Company for a term of one year which commenced on 1 August 2006.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, three of the directors received interest aggregating HK$235,000 for the advance to the Company. The Company also had service contracts with certain directors, as disclosed in the section headed "Directors' service contracts" above.

Save as disclosed above, no director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2007, the interests of the directors of the Company in the shares of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Interests in the Company:

Name of director	Long/ short position	Capacity	Notes	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital
Mr. Lau Kwai	Long	Beneficial owner		1,500,000	0.37
	Long	Founder of a discretionary trust	(a)	87,696,000	21.82
	Long	Founder of a discretionary trust	(b)	42,078,400	10.47
	Long	Founder of a discretionary trust	(c)	15,851,200	3.94
Mr. Lau Chung Yim	Long	Beneficial owner		32,310,000	8.04
	Long	Beneficiary of a discretionary trust	(a)	87,696,000	21.82
	Long	Beneficiary of a discretionary trust	(b)	42,078,400	10.47
Mr. Lau Chung Hung	Long	Beneficial owner		16,000,000	3.98
	Long	Beneficiary of a discretionary trust	(a)	87,696,000	21.82
Mr. Lau Hing Hai	Long	Beneficiary of a discretionary trust	(a)	87,696,000	21.82
	Long	Beneficiary of a discretionary trust	(c)	15,851,200	3.94
Ms. Lau May Wah	Long	Beneficial owner		20,419,200	5.08
	Long	Beneficiary of a discretionary trust	(a)	87,696,000	21.82
Mr. Leung Hon Ming	Long	Beneficial owner		150,000	0.04

Notes:

(a) The shares were held by Woohei Inc. as trustee of The Woohei Unit Trust, all the units (other than one unit which was beneficially owned by Mr. Lau Kwai's spouse, Ms. Fong Shun Yum) of which were beneficially owned by The Lau Kwai Trust, a discretionary trust the beneficiaries of which included the family members of Mr. Lau Kwai.

(b) The shares were held by Dragon Power Inc. as trustee of The Dragon Power Unit Trust, all the units (other than one unit which was beneficially owned by Mr. Lau Chung Yim's spouse, Ms. Tam Wai Ling Josephine) of which were beneficially owned by The Jopat Trust, a discretionary trust the beneficiaries of which included Mr. Lau Chung Yim, his spouse and issue.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Notes: (continued)

(c) The shares were held by Inland Inc. as trustee of The Inland Unit Trust, all the units (other than one unit which was beneficially owned by Mr. Lau Hing Hai's spouse, Ms. Chan Ka Lam) of which were beneficially owned by The Hingka Trust, a discretionary trust the beneficiaries of which included Mr. Lau Hing Hai, his spouse and issue.

In addition to the above, as at 31 March 2007, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the previous requirement of a minimum number of two shareholders.

Save as disclosed herein, as at 31 March 2007, none of the directors or chief executive of the Company had any interest/short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the share option scheme disclosures in note 27 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, or their associates, to acquire such benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, none of the directors is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the directors have been appointed or were appointed as directors to represent the interests of the Company and/or the Group, as defined in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2007, the following persons, not being a director or chief executive of the Company, had an interest in the shares of the Company, as recorded in the register required to be kept under Section 336 of the SFO or of which the directors are aware:

Name of substantial shareholder	Long/ short position	Capacity	Notes	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital
Ms. Chan Ka Lam	Long	Interest of spouse	(a)	103,547,200	25.76
Ms. Fong Shun Yum	Long	Interest of spouse	(b)	147,125,600	36.61
Mr. Lo Tin Yuen	Long	Interest of spouse	(c)	108,115,200	26.90
Ms. Tam Wai Ling Josephine	Long	Interest of spouse	(d)	162,084,400	40.33
Ms. Wong Yuk Ching	Long	Interest of spouse	(e)	103,696,000	25.80
Woohei Inc.	Long	Trustee	(f)	87,696,000	21.82
Dragon Power Inc.	Long	Trustee	(f)	42,078,400	10.47
MeesPierson Trust (Asia) Limited	Long	Trustee	(f) & (g)	145,625,600	36.23

Notes:

(a) Ms. Chan Ka Lam was deemed to be interested in 103,547,200 shares of the Company through the interest of her spouse, Mr. Lau Hing Hai.

(b) Ms. Fong Shun Yum was deemed to be interested in 147,125,600 shares of the Company through the interest of her spouse, Mr. Lau Kwai.

(c) Mr. Lo Tin Yuen was deemed to be interested in 108,115,200 shares of the Company through the interest of his spouse, Ms. Lau May Wah.

(d) Ms. Tam Wai Ling Josephine was deemed to be interested in 162,084,400 shares of the Company through the interest of her spouse, Mr. Lau Chung Yim.

(e) Ms. Wong Yuk Ching was deemed to be interested in 103,696,000 shares of the Company through the interest of her spouse, Mr. Lau Chung Hung.

(f) These interests have also been disclosed as the interests of Mr. Lau Kwai/Mr. Lau Chung Yim/Mr. Lau Chung Hung/Mr. Lau Hing Hai/Ms. Lau May Wah in the section headed "Directors' interests and short positions in shares and underlying shares" above.

(g) MeesPierson Trust (Asia) Limited was the trustee of The Lau Kwai Trust, The Jopat Trust and The Hingka Trust and was therefore deemed to be interested in the 87,696,000 shares indirectly owned by The Lau Kwai Trust, 42,078,400 shares indirectly owned by The Jopat Trust and 15,851,200 shares indirectly owned by The Hingka Trust.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES
(continued)

Save as disclosed herein, as at 31 March 2007, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares" above, had an interest or a short position in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is a sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 35 to the financial statements.

AUDITORS

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Lau Kwai
Chairman

Hong Kong
23 July 2007

ERNST & YOUNG
安永會計師事務所

TO THE SHAREHOLDERS OF
NAM HING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Nam Hing Holdings Limited set out on pages 38 to 100, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

AUDITORS' RESPONSIBILITY (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw your attention to:

a) notes 13 and 16 to the financial statements concerning the carrying values of certain property, plant and equipment and the trademark of the Group, and the carrying value of the Company's interest in a subsidiary, as at 31 March 2007.

   The carrying values of the Group's trademark and property, plant and equipment situated in Suzhou, the People's Republic of China as at 31 March 2007 amounted to HK$2,329,000 and HK$71,742,000, respectively. The recoverability of the carrying values of these assets as at 31 March 2007 depends upon the ability of the Group to obtain additional financial resources and sufficient sales orders to establish and attain profitable and positive cash flow operations in its factory in Suzhou, which commenced operations during the year ended 31 March 2007. As set out in note 16 to the financial statements, the recoverability of the above assets of the Group has a direct impact on the carrying value of the Company's interest in Nam Hing (B.V.I.) Limited in relation to the factory in Suzhou that amounted to HK$100,760,000 as at 31 March 2007. The financial statements do not include any adjustments that may be necessary should the Group fail to obtain additional financial resources and sufficient sales orders to establish and attain profitable and positive cash flow operations in its factory in Suzhou.

OPINION (continued)

b) note 2.1 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As further explained in the note, the financial statements of the Group have been prepared on a going concern basis, notwithstanding that the Group incurred a loss attributable to the equity holders of the parent of HK$36,124,000 during the year ended 31 March 2007 and, as at that date, the Group reported consolidated net current liabilities of HK$34,744,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern.

ERNST & YOUNG
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong
23 July 2007

Consolidated Income Statement

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	5	**328,085**	281,128
Cost of sales		**(310,322)**	(251,705)
Gross profit		**17,763**	29,423
Other income and gains	5	**3,781**	4,722
Selling and distribution costs		**(7,324)**	(5,782)
Administrative expenses		**(30,268)**	(29,108)
Other expenses		**(11,504)**	(1,304)
Finance costs	6	**(8,543)**	(4,939)
LOSS BEFORE TAX	7	**(36,095)**	(6,988)
Tax	10	**(29)**	(159)
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	11	**(36,124)**	(7,147)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**HK(8.9897) cents**	HK(1.7786) cents
Diluted		**N/A**	N/A

Consolidated Balance Sheet

31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**188,127**	172,968
Investment properties	14	**21,400**	20,980
Prepaid land lease payments	15	**14,528**	14,080
Trademark		**2,329**	2,226
Total non-current assets		**226,384**	210,254
CURRENT ASSETS			
Trade debtors	17	**109,215**	95,266
Other debtors, prepayments and deposits		**7,291**	4,282
Inventories	18	**61,760**	51,494
Investments at fair value through profit or loss	20	**3,339**	3,220
Tax recoverable		**160**	432
Pledged fixed deposits	21	**9,535**	8,229
Cash and bank balances	21	**3,944**	6,534
Total current assets		**195,244**	169,457
CURRENT LIABILITIES			
Trade creditors	22	**70,932**	47,165
Bills payable		**1,481**	1,994
Other creditors and accruals	23	**19,303**	11,908
Bank and other borrowings	24	**138,272**	114,867
Total current liabilities		**229,988**	175,934
NET CURRENT LIABILITIES		**(34,744)**	(6,477)
TOTAL ASSETS LESS CURRENT LIABILITIES		**191,640**	203,777
NON-CURRENT LIABILITIES			
Bank and other borrowings	24	**7,648**	8,853
Net assets		**183,992**	194,924
EQUITY			
Issued capital	27	**40,184**	40,184
Reserves	28(a)	**143,808**	154,740
Total equity		**183,992**	194,924

Lau Kwai
Director

Lau Chung Yim
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2007

	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Exchange equalisation reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2005	40,184	124,711	2,031	(23,879)	464	53,234	196,745
Exchange differences on translation of the financial statements of overseas subsidiaries	–	–	–	5,206	–	–	5,206
Exchange differences on retranslation of loans of overseas subsidiaries	–	–	–	120	–	–	120
Total income and expense for the year recognised directly in equity	–	–	–	5,326	–	–	5,326
Loss for the year	–	–	–	–	–	(7,147)	(7,147)
Total income and expense for the year	–	–	–	5,326	–	(7,147)	(1,821)
At 31 March and 1 April 2006	40,184	124,711*	2,031*	(18,553)*	464*	46,087*	194,924
Exchange differences on translation of the financial statements of overseas subsidiaries	–	–	–	14,528	–	–	14,528
Exchange differences on retranslation of loans of overseas subsidiaries	–	–	–	10,664	–	–	10,664
Total income and expense for the year recognised directly in equity	–	–	–	25,192	–	–	25,192
Loss for the year	–	–	–	–	–	(36,124)	(36,124)
Total income and expense for the year	–	–	–	25,192	–	(36,124)	(10,932)
At 31 March 2007	**40,184**	**124,711****	**2,031****	**6,639****	**464****	**9,963****	**183,992**

* These reserve accounts comprise the consolidated reserves of HK$143,808,000 (2006: HK$154,740,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	29(a)	**3,788**	(84)
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**367**	178
Purchases of items of property, plant and equipment		**(16,670)**	(8,857)
Increase in investments at fair value through profit or loss		**(33)**	(87)
Proceeds from disposal of items of property, plant and equipment		**64**	284
Additions to prepaid land lease payments		**(212)**	–
Increase in pledged fixed deposits		**(1,306)**	(4,162)
Net cash outflow from investing activities		**(17,790)**	(12,644)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans and other loans		**26,726**	14,052
Repayment of bank loans and other loans		**(12,748)**	(8,999)
Capital element of finance lease payments		**(1,553)**	(1,823)
Interest paid		**(9,492)**	(6,858)
Interest element of finance lease payments		**(89)**	(157)
Increase in trust receipt loans		**5,952**	16,134
Net cash inflow from financing activities		**8,796**	12,349
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(5,206)**	(379)
Cash and cash equivalents at beginning of year		**(6,742)**	(7,320)
Effect of foreign exchange rate changes, net		**3,059**	957
CASH AND CASH EQUIVALENTS AT END OF YEAR		**(8,889)**	(6,742)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**3,944**	6,534
Bank overdrafts, secured	24	**(12,833)**	(13,276)
		(8,889)	(6,742)

Balance Sheet

31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	**239,534**	240,005
CURRENT ASSETS			
Other debtors, prepayments and deposits		**176**	195
Cash and bank balances		**6**	7
Total current assets		**182**	202
CURRENT LIABILITIES			
Other creditors and accruals	23	**194**	181
NET CURRENT ASSETS/(LIABILITIES)		**(12)**	21
Net assets		**239,522**	240,026
EQUITY			
Issued capital	27	**40,184**	40,184
Reserves	28(b)	**199,338**	199,842
Total equity		**239,522**	240,026

Lau Kwai
Director

Lau Chung Yim
Director

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 27th Floor, Yuen Long Trade Centre, 99-109 Castle Peak Road, Yuen Long, New Territories, Hong Kong.

During the year, the Group was involved in the following principal activities:

- Manufacture and sale of laminates
- Manufacture and sale of printed circuit boards ("PCB")
- Manufacture and sale of copper foils

2.1 BASIS OF PRESENTATION

At 31 March 2007, the Group had net current liabilities of HK$34,744,000 and had outstanding bank and other borrowings of HK$145,920,000, out of which HK$138,272,000 was due for repayment and renewal within the next 12 months. The Group incurred a loss attributable to equity holders of the parent of HK$36,124,000. In order to improve the Group's financial position, the directors of the Company have taken the following measures:

(a) Subsequent to the balance sheet date, the Group has entered into an agreement to dispose of certain land and building to certain directors of the Company for a consideration amounting to HK$5,980,000. Details are set out in note 35 to the financial statements.

(b) Certain directors of the Company have made advances of approximately HK$16,911,000 to the Group during the year. They have expressed their willingness to provide adequate funds for the Group to meet its liabilities as and when they fall due.

(c) Subsequent to the balance sheet date, in May 2007, the Group borrowed a loan of HK$3,200,000 from Birdie Travel Limited, a related company in which a director of the Company has a beneficial interest. The loan bears interest at Hong Kong dollar prime rate and is repayable by 32 monthly installments of HK$100,000 each.

2.1 BASIS OF PRESENTATION (continued)

(d) The Group has been negotiating with certain existing bankers to obtain additional banking facilities.

(e) The Group continues to implement certain measures to tighten cost controls over various general and administrative expenses so as to attain profitable and positive cash flow operations.

On the basis that all banking facilities will be continuously available for the Group's use, the directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the 12 months from 31 March 2007. The directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group not be able to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the financial statements.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2007. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.3 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 *The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 March 2007 or 31 March 2006.

(b) HKAS 39 *Financial Instruments: Recognition and Measurement*

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

2.3 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(b) HKAS 39 *Financial Instruments: Recognition and Measurement* (continued)

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(c) HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 April 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

2.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKAS 23 (Revised)	Borrowing Costs
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objectives, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKAS 23 (Revised) shall be applied for annual periods beginning on or after 1 January 2009. The revised standard requires the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

2.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 *Segment Reporting*.

HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a member of the key management personnel of the Group;

(c) the party is a close member of the family of any individual referred to in (a) or (b);

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or

(e) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Nil
Buildings	2% to 4.5%
Leasehold improvements	Over the shorter of the lease terms and 20%
Plant and machinery	9% to 10%
Furniture and office equipment	10% to 20%
Motor vehicles	18% to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents factory buildings and plant and machinery under construction, and is included in property, plant and equipment and stated at cost less any impairment losses. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. No depreciation is provided until the construction work is completed. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Trademark

The Group's trademark is stated at cost less any impairment losses. The useful life of the trademark is assessed to be indefinite and is tested for impairment annually. The trademark is not amortised. Its useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms. Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, or loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade debtors, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other creditors and bank and other borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less any estimated costs expected to be incurred to completion and during sale and distribution.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(c) rental income, on a time proportion basis over the lease terms.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 April 2005 and to those granted on or after 1 April 2005.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. Ongoing contributions to the MPF Scheme are made based on a percentage of the employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group operates defined contribution schemes for those employees in Thailand who are eligible and have elected to participate in the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the schemes. When an employee leaves the schemes prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The employees of the Group's subsidiaries which operate in the Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate at Hong Kong dollar prime rate has been applied to the expenditure on the individual assets.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange equalisation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discuss below.

Impairment of property, plant and equipment and trademark

Items of property, plant and equipment and trademark are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

Fair value of investment properties

Investment properties are carried in the balance sheet at their fair value. The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in the income statement.

Impairment of trade debtors

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade debtors balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

Write-down of inventories

Inventories are written down to net realisable value based on an assessment of their realisability. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-down of inventories in the period in which such estimate is changed.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the manufacture and sale of laminates segment is a supplier of industrial laminates mainly for use in the manufacture of telecommunications, computer-related products, audio and visual household products;

(b) the manufacture and sale of PCBs segment is a supplier of PCBs mainly for use in the manufacture of audio and visual household products; and

(c) the manufacture and sale of copper foils segment is a supplier of copper foils mainly for use in the manufacture of industrial laminates and PCBs.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2007 and 2006.

Group

	Manufacture and sale of laminates		Manufacture and sale of PCBs		Manufacture and sale of copper foils		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**229,702**	193,099	**96,631**	86,615	**1,752**	1,414	**–**	–	**328,085**	281,128
Intersegment sales	**42,731**	36,599	**–**	–	**89,010**	58,878	**(131,741)**	(95,477)	**–**	–
Other revenue	**1,128**	2,913	**101**	229	**2,211**	1,711	**(26)**	(309)	**3,414**	4,544
Total	**273,561**	232,611	**96,732**	86,844	**92,973**	62,003	**(131,767)**	(95,786)	**331,499**	285,672
Segment results	**(28,897)**	(1,232)	**1,122**	406	**740**	(794)			**(27,035)**	(1,620)
Bank interest income, other income and gains									**787**	658
Unallocated expenses									**(1,304)**	(1,087)
Finance costs									**(8,543)**	(4,939)
Loss before tax									**(36,095)**	(6,988)
Tax									**(29)**	(159)
Loss for the year									**(36,124)**	(7,147)

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Manufacture and sale of laminates		Manufacture and sale of PCBs		Manufacture and sale of copper foils		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets and liabilities:										
Segment assets	**295,487**	285,796	**70,116**	56,733	**51,305**	43,281	**(33,834)**	(45,688)	**383,074**	340,122
Unallocated assets									**25,721**	26,313
Bank overdrafts included in unallocated segment assets									**12,833**	13,276
Total assets									**421,628**	379,711
Segment liabilities	**59,367**	40,901	**51,901**	34,212	**14,088**	8,064	**(33,834)**	(22,291)	**91,522**	60,886
Unallocated liabilities									**133,281**	110,625
Bank overdrafts included in unallocated segment assets									**12,833**	13,276
Total liabilities									**237,636**	184,787
Other segment information:										
Depreciation	**6,254**	3,630	**3,503**	3,752	**7,449**	6,902	**–**	–	**17,206**	14,284
Amortisation on prepaid land lease payments	**340**	322	**46**	45	**–**	–	**–**	–	**386**	367
Changes in fair value of investment properties									**(420)**	(480)
Impairment of trade debtors	**39**	301	**226**	65	**–**	–	**–**	–	**265**	366
Capital expenditure	**5,474**	8,799	**11,310**	3,177	**1,136**	407	**–**	–	**17,920**	12,383

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2007 and 2006.

Group

	People's Republic of China									
	Hong Kong		Mainland China		Overseas		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**238,387**	221,905	**34,668**	30,547	**55,030**	28,676	**–**	–	**328,085**	281,128
Other segment information:										
Segment assets	**166,754**	170,292	**224,450**	199,390	**51,425**	42,441	**(33,834)**	(45,688)	**408,795**	366,435
Bank overdrafts included in segment assets	**12,475**	12,411	**–**	–	**358**	865	**–**	–	**12,833**	13,276
									421,628	379,711
Capital expenditure	**17**	487	**16,767**	11,489	**1,136**	407	**–**	–	**17,920**	12,383

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gains is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Revenue		
Sale of goods	**328,085**	281,128
Other income and gains		
Sale of scrap materials	**2,973**	1,777
Bank interest income	**367**	178
Rental income	**216**	156
Exchange gains, net	**–**	1,962
Gain on disposal of items of property, plant and equipment	**–**	245
Fair value change in investments at fair value through profit or loss	**86**	69
Others	**139**	335
	3,781	4,722
	331,866	285,850

6. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest expense on:		
Bank loans and other borrowings wholly repayable within five years	**5,704**	3,800
Factoring arrangements	**3,788**	3,058
Finance leases	**89**	157
Total interest	**9,581**	7,015
Less: Interest capitalised in construction in progress	**(1,038)**	(2,076)
	8,543	4,939

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2007 HK$'000	2006 HK$'000
Cost of inventories sold		**234,034**	188,028
Auditors' remuneration		**1,215**	1,186
Depreciation	13	**17,206**	14,284
Amortisation on prepaid land lease payments	15	**386**	367
Impairment of trade debtors		**265**	366
Provision against inventories		**1,215**	466
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**43**	54
Changes in fair value of investment properties	14	**(420)**	(480)
Employee benefits expense (including directors' remuneration – note 8):			
Pension scheme contributions		**357**	354
Less: Forfeited contributions		**–**	(36)
Net pension scheme contributions*		**357**	318
Salaries and wages		**32,749**	29,140
		33,106	29,458
Exchange losses/(gains), net**		**9,907**	(1,962)
Fair value change in investments at fair value through profit or loss		**(86)**	(69)
Loss/(gain) on disposal of items of property, plant and equipment		**308**	(245)

* *At 31 March 2007, there were no forfeited contributions available to the Group to reduce its contributions to the pension schemes in future years (2006: Nil).*

** *The exchange losses/(gains), net is included in "Other expenses"/"Other income and gains" on the face of the consolidated income statement.*

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Fees	**413**	450
Other emoluments:		
Salaries, allowances and benefits in kind	**9,890**	8,708
Discretionary bonuses	**300**	281
Pension scheme contributions	**151**	147
	10,341	9,136
	10,754	9,586

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

2007	**Fees**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	HK$'000	HK$'000
Mr. Leung Hon Ming	**150**	**7**	**157**
Mr. Kwok Kwan Hung	**50**	**3**	**53**
Mr. Chang Tso Tung Stephen	**150**	**7**	**157**
Mr. Pravith Vaewhongs	**63**	**–**	**63**
	413	**17**	**430**

2006	**Fees**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	HK$'000	HK$'000
Mr. Leung Hon Ming	150	7	157
Mr. Kwok Kwan Hung	150	7	157
Mr. Chang Tso Tung Stephen	150	7	157
	450	21	471

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2007				
Executive directors:				
Mr. Lau Kwai	2,660	57	–	2,717
Mr. Lau Chung Yim	2,693	72	43	2,808
Mr. Lau Chung Hung	744	22	12	778
Mr. Lau Hing Hai	2,645	98	59	2,802
Ms. Lau May Wah	788	32	12	832
Mr. Kwok Kwan Hung	360	19	8	387
	9,890	300	134	10,324
2006				
Executive directors:				
Mr. Lau Kwai	2,386	57	–	2,443
Mr. Lau Chung Yim	2,461	72	43	2,576
Mr. Lau Chung Hung	744	22	12	778
Mr. Lau Hing Hai	2,321	98	59	2,478
Ms. Lau May Wah	796	32	12	840
	8,708	281	126	9,115

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2006: five) directors, details of whose remuneration are set out in note 8 above.

10. TAX

	Group	
	2007	2006
	HK$'000	HK$'000
Current – Hong Kong:		
Underprovision in the prior year	**–**	9
Current – Mainland China:		
Charge for the year	**–**	375
Underprovision/(overprovision) in the prior year	**29**	(225)
Tax charge for the year	**29**	159

No provision for Hong Kong profits tax has been made as the Group has available tax losses brought forward from the prior years to offset the assessable profits generated during the year. In prior year, Hong Kong profits tax had been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong in that year. Taxes on profits assessable in Mainland China have been calculated at the applicable rates of tax prevailing in the regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations in Mainland China, certain of the Group's subsidiaries in Mainland China enjoy income tax reductions.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New Corporate Income Tax Law to the Group cannot be reasonably estimated at this stage.

The corporate income tax ("CIT") payable by a subsidiary operating in Thailand is charged at 30% (2006: 30%) on the income earned from non-promoted activities as defined by the Board of Investment in Thailand (the "Board of Investment"). The subsidiary received promotional privileges from the Board of Investment under promotion certificates issued for the manufacture of copper foils. Under these privileges, this subsidiary was exempt from certain taxes and duties as detailed in the certificates, including exemption from CIT for a period of seven years from the date of commencement of the promoted business of this subsidiary. As a promoted industry, the subsidiary is required to comply with the terms and conditions as specified in the promotion certificates. The exemption expired in December 2006. No provision for CIT in Thailand has been made as the subsidiaries in Thailand have available tax losses brought forward from the prior years to offset the assessable profits generated during the year. In prior year, no provision for CIT in Thailand had been made as the subsidiaries in Thailand incurred a loss for that year.

10. TAX (continued)

A reconciliation of the tax charge applicable to loss before tax using the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

Group – 2007

	Hong Kong		Mainland China		Thailand		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	(20,711)		(15,369)		(15)		(36,095)	
Tax at the statutory tax rate	(3,624)	17.5	(5,072)	33.0	(5)	30.0	(8,701)	24.1
Lower tax rate for specific provinces	–		1,554		–		1,554	
Adjustments in respect of current tax of previous periods	–		29		–		29	
Tax losses not recognised	3,455		3,313		15		6,783	
Income not subject to tax	(8)		–		–		(8)	
Expenses not deductible for tax	188		205		27		420	
Tax losses utilised from previous periods	(11)		–		(37)		(48)	
Tax charge at the Group's effective rate	–		29		–		29	

10. TAX (continued)

Group – 2006

	Hong Kong		Mainland China		Thailand		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(7,163)		1,538		(1,363)		(6,988)	
Tax at the statutory tax rate	(1,254)	17.5	415	27.0	(409)	30.0	(1,248)	17.9
Lower tax rate for specific provinces	–		(26)		–		(26)	
Adjustments in respect of current tax of previous periods	9		(225)		–		(216)	
Tax losses not recognised	1,959		–		396		2,355	
Income not subject to tax	(843)		(18)		–		(861)	
Expenses not deductible for tax	141		164		13		318	
Tax losses utilised from previous periods	(3)		(160)		–		(163)	
Tax charge at the Group's effective rate	9		150		–		159	

11. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated loss attributable to equity holders of the parent for the year ended 31 March 2007 includes a loss of HK$504,000 (2006: HK$287,000) which has been dealt with in the financial statements of the Company (note 28(b)).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted loss per share are based on:

	2007	2006
	HK$'000	HK$'000
Loss		
Loss attributable to ordinary equity holders of the parent	(36,124)	(7,147)

	Number of shares	
	2007	2006
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	401,838,800	401,838,800
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	76,387
Weighted average number of ordinary shares in issue during the year used in the diluted loss per share calculation	401,838,800	401,915,187

A diluted loss per share amount for the year ended 31 March 2007 has not been disclosed as no diluting effect existed during the year. A diluted loss per share amount for the year ended 31 March 2006 has not been disclosed as the share options outstanding during that year had an anti-dilutive effect on the basic loss per share for that year.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2007							
At 31 March 2006 and at 1 April 2006:							
Cost	61,527	4,939	220,023	18,804	3,513	69,646	378,452
Accumulated depreciation	(21,513)	(4,939)	(160,731)	(16,034)	(2,267)	–	(205,484)
Net carrying amount	40,014	–	59,292	2,770	1,246	69,646	172,968
At 1 April 2006, net of accumulated depreciation	40,014	–	59,292	2,770	1,246	69,646	172,968
Additions	65	–	4,734	195	–	12,714	17,708
Disposals	–	–	(357)	(15)	–	–	(372)
Depreciation provided during the year	(3,780)	–	(12,733)	(317)	(376)	–	(17,206)
Transfers	22,224	–	28,844	–	–	(51,068)	–
Exchange realignment	5,225	–	7,295	205	23	2,281	15,029
At 31 March 2007, net of accumulated depreciation	63,748	–	87,075	2,838	893	33,573	188,127
At 31 March 2007:							
Cost	91,981	4,939	272,816	19,979	3,613	33,573	426,901
Accumulated depreciation	(28,233)	(4,939)	(185,741)	(17,141)	(2,720)	–	(238,774)
Net carrying amount	63,748	–	87,075	2,838	893	33,573	188,127

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Freehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2006							
At 31 March 2005 and at 1 April 2005:							
Cost	59,033	4,939	212,613	18,304	3,546	62,378	360,813
Accumulated depreciation	(18,436)	(4,939)	(148,417)	(15,449)	(2,649)	–	(189,890)
Net carrying amount	40,597	–	64,196	2,855	897	62,378	170,923
At 1 April 2005, net of accumulated depreciation	40,597	–	64,196	2,855	897	62,378	170,923
Additions	179	–	3,502	288	768	7,646	12,383
Disposals	–	–	–	–	(39)	–	(39)
Depreciation provided during the year	(2,803)	–	(10,656)	(432)	(393)	–	(14,284)
Transfers	1,472	–	387	–	–	(1,859)	–
Exchange realignment	569	–	1,863	59	13	1,481	3,985
At 31 March 2006, net of accumulated depreciation	40,014	–	59,292	2,770	1,246	69,646	172,968
At 31 March 2006:							
Cost	61,527	4,939	220,023	18,804	3,513	69,646	378,452
Accumulated depreciation	(21,513)	(4,939)	(160,731)	(16,034)	(2,267)	–	(205,484)
Net carrying amount	40,014	–	59,292	2,770	1,246	69,646	172,968

At the balance sheet date, the cost of the Group's freehold land and buildings situated in Thailand amounted to HK$33,424,000 (2006: HK$27,336,000).

The net book values of plant and machinery and motor vehicles held under finance leases at the balance sheet date amounted to HK$2,633,000 (2006: HK$7,758,000) and nil (2006: HK$60,000), respectively.

As at 31 March 2007, the Group's freehold land and buildings with an aggregate net book value of HK$41,937,000 (2006: HK$18,374,000) were pledged for banking facilities granted to the Group (note 24(a)).

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Included in the Group's property, plant and equipment as at 31 March 2007 were buildings, plant and machinery, furniture and office equipment, motor vehicles and construction in progress situated in Suzhou, the People's Republic of China, with net book values of HK$21,439,000, HK$26,324,000, HK$136,000, HK$56,000 and HK$23,787,000, respectively. The factory in Suzhou commenced operation during the year. The recoverability of these property, plant and equipment together with the trademark of HK$2,329,000 depends, inter alia, upon the Group's ability to obtain additional financial resources and sufficient sales orders to attain profitable and positive cash flow operations in its factory in Suzhou. In the opinion of the directors, the factory is in its initial stage of production. The directors are confident that the Group will be able to obtain additional financial resources to establish and satisfy the future working capital requirements of the factory's operations in Suzhou, and that the Group will be able to obtain sufficient sales orders to sustain profitable and positive cash flow operations. Accordingly, no impairment losses have been made on the above property, plant and equipment and trademark.

14. INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount at 1 April	**20,980**	4,520
Reclassification from a property held for resale (note 19)	**–**	15,980
Net profit from a fair value adjustment	**420**	480
Carrying amount at 31 March	**21,400**	20,980

The Group's investment properties at 31 March 2007 were situated in Hong Kong and were held under medium term leases.

The revaluation of the above investment properties was carried out by LCH (Asia-Pacific) Surveyors Limited, independent professionally qualified valuers, on an open market, existing use basis, as at 31 March 2007.

As at 31 March 2007, the Group's investment properties were pledged to a bank for banking facilities granted to the Group (note 24(a)).

14. INVESTMENT PROPERTIES (continued)

Details of the investment properties are as follows:

Location	Use	Site area/gross floor area (sq. ft)	Percentage of attributable interest of the Group
Lot Nos. 587, 588, 675, 714, 1875A, 1875B and the remaining portion of Lot Nos. 589 and 1875C, Demarcation District No. 107, Fung Kat Heung, Yuen Long, New Territories, Hong Kong	Industrial	78,408/ 46,505	100
Unit 4B on Ground Floor, Fo Tan Industrial Centre, Nos. 26-28 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong	Industrial	3,767	100

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount at 1 April	**14,446**	14,455
Additions	**212**	–
Recognised during the year	**(386)**	(367)
Exchange realignment	**657**	358
Carrying amount at 31 March	**14,929**	14,446
Current portion included in other debtors, prepayments and deposits	**(401)**	(366)
Non-current portion	**14,528**	14,080

15. PREPAID LAND LEASE PAYMENTS (continued)

At the balance sheet date, the Group's leasehold land was situated in the following locations under the following lease terms:

	2007 HK$'000	2006 HK$'000
At carrying amount:		
Medium term lease situated in Hong Kong	136	140
Medium term leases situated in Mainland China	14,793	14,306
	14,929	14,446

As at 31 March 2007, the Group's leasehold land with an aggregate carrying amount of HK$7,556,000 (2006: HK$140,000) was pledged for banking facilities granted to the Group (note 24(a)).

16. INTERESTS IN SUBSIDIARIES

	Company	
	2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	63,074	63,074
Amounts due from subsidiaries	187,077	187,548
Amounts due to subsidiaries	(246)	(246)
	249,905	250,376
Provision for impairment	(10,371)	(10,371)
	239,534	240,005

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these balances approximate to their fair values.

16. INTERESTS IN SUBSIDIARIES (continued)

The Company's interests in subsidiaries included its interest in Nam Hing (B.V.I.) Limited in relation to the Group's operations in Suzhou amounting to HK$100,760,000 as at 31 March 2007. The directors are aware of the fact that the recoverability of the Group's trademark and property, plant and equipment in Suzhou may have a direct impact on the carrying value of the Company's interest in Nam Hing (B.V.I.) Limited. As further explained in note 13 to the financial statements, the directors are confident that the Group will be able to obtain additional financial resources and sufficient sales orders to attain profitable and positive cash flow operations of its factory in Suzhou. Accordingly, no impairment losses have been made in respect of its interest in Nam Hing (B.V.I.) Limited.

Particulars of the principal subsidiaries are as follows:

Name of company	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2007	2006	
Nam Hing (B.V.I.) Limited	British Virgin Islands	US$50,000	**100**	100	Investment holding
Nam Hing Industrial Laminate Limited	Hong Kong	HK$200/ HK$2,000,000*	**100**	100	Trading of laminates
Nam Hing Circuit Board Company Limited	Hong Kong	HK$500,000	**100**	100	Trading of printed circuit boards
Natural Century Limited	Hong Kong	HK$2	**100**	100	Investment holding
Bangkok Industrial Laminate Company Limited #	Thailand	Baht20,000,000	**100**	100	Trading and manufacture of copper foils
Zhongshan Nam Hing Insulating Material Limited @#	The People's Republic of China ("PRC")/ Mainland China	HK$93,000,000	**100**	100	Manufacture of laminates
Nam Hing Circuit Board (Dongguan) Co., Ltd. @#	PRC/ Mainland China	HK$35,886,662	**100**	100	Manufacture of printed circuit boards

16. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital	Percentage of equity attributable to the Company 2007	2006	Principal activities
Suzhou Nam Hing Industrial Laminate Co., Ltd. @#	PRC/ Mainland China	US$6,800,000	**100**	100	Manufacture of laminates
Zhongshan Chung Yuen Electronic Applied Materials Company Limited @#	PRC/ Mainland China	HK$2,000,000	**100**	100	Manufacture of laminates
Zhuhai Nam Hing Long Electronics Company Limited@#^	PRC/ Mainland China	HK$2,018,000/ HK$3,500,000	**100**	100	Not yet commenced business
恆然桐油(和平)有限公司@#&	PRC/ Mainland China	Nil/ HK$1,000,000	**100**	–	Not yet commenced business

\# Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

* Non-voting deferred shares.

@ These subsidiaries are registered as wholly-foreign-owned enterprises under PRC laws.

^ The Group is obliged to pay up the capital contribution by 2003. In the opinion of the directors, the Group is able to obtain further extension from the government authorities.

& The Group is obliged to pay up the capital contribution by 2009.

Except for Nam Hing (B.V.I.) Limited, which operates in Hong Kong, all of the subsidiaries' places of operations are the same as their places of incorporation/registration.

Except for Nam Hing (B.V.I.) Limited, all subsidiaries are indirectly held by the Company.

The above summary lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. TRADE DEBTORS

An aged analysis of the trade debtors at the balance sheet date, based on the invoice date and net of impairment, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within 3 months	**72,111**	66,652
4 to 6 months	**33,272**	27,041
Over 6 months	**3,832**	1,573
	109,215	95,266

The Group's credit terms given to its customers vary, which generally range from current to 120 days, and are granted based on the financial status of the individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically by management. Trade debtors are non-interest-bearing.

At 31 March 2007, the Group's trade debtors of approximately HK$65,148,000 (2006: HK$56,379,000) were factored to certain banks under certain receivable purchase agreements (the "Factored Receivables"). The Group continued to recognise the Factored Receivables in the balance sheet because, in the opinion of the directors, the Group has retained substantially all the risks and rewards of ownership of the Factored Receivables, either the risks in respect of default payments or the time value of money, as at the balance sheet date.

Accordingly, the advances from the relevant banks of approximately HK$49,257,000 (2006: HK$47,157,000) received by the Group as consideration for the Factored Receivables at the balance sheet date were recognised as liabilities and included in "Bank and other borrowings" (note 24).

18. INVENTORIES

	Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**30,966**	31,546
Work in progress	**11,051**	5,743
Finished goods	**19,743**	14,205
	61,760	51,494

19. PROPERTY HELD FOR RESALE

	Group	
	2007	2006
	HK$'000	HK$'000
At beginning of year	**–**	15,980
Reclassification to investment properties (note 14)	**–**	(15,980)
At end of year	**–**	–

20. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	HK$'000	HK$'000
Listed equity investment in Hong Kong, at market value	**190**	207
Unlisted investments, at fair value	**3,149**	3,013
	3,339	3,220

As at 31 March 2007, the Group's certain investments at fair value through profit or loss amounting to HK$3,149,000 (2006: HK$3,013,000) were pledged to a bank for banking facilities granted to the Group (note 24(a)).

21. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

		Group		Company	
		2007	2006	**2007**	2006
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**3,944**	6,534	**6**	7
Time deposits		**9,535**	8,229	**–**	–
		13,479	14,763	**6**	7
Less: Pledged time deposits for short term bank borrowings	24(a)	**(9,535)**	(8,229)	**–**	–
Cash and bank balances		**3,944**	6,534	**6**	7

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$718,000 (2006: HK$1,955,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of one to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and bank balances and the pledged deposits approximate to their fair values.

22. TRADE CREDITORS

An aged analysis of the trade creditors at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within 3 months	**51,123**	36,045
4 to 6 months	**15,367**	8,777
Over 6 months	**4,442**	2,343
	70,932	47,165

The trade creditors are non-interest-bearing and are normally settled on terms varying from current to 90 days.

23. OTHER CREDITORS AND ACCRUALS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other creditors	**11,827**	6,196	**181**	181
Accruals	**7,476**	5,712	**13**	–
	19,303	11,908	**194**	181

Other creditors are non-interest-bearing and have terms ranging from one to three months.

24. BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	2007 HK$'000	2006 HK$'000
Current				
Finance lease payables (note 25)	3 – 4.75	2008	**608**	1,553
Bank overdrafts – secured	7.82 – 8.25	2008	**12,833**	13,276
Bank loans – secured	5.75 – 7.65	2008	**18,454**	6,306
Trust receipt loans – secured	7.82 – 10.75	2008	**45,884**	39,932
Loans from directors – unsecured	Nil – 5.45	2008	**11,236**	6,643
Advances from banks as consideration for the Factored Receivables (note 17)	7.75 – 9	2008	**49,257**	47,157
			138,272	114,867
Non-current				
Finance lease payables (note 25)	–	–	**–**	608
Bank loans – secured	6.25 – 6.5	2009 – 2011	**4,182**	4,582
Loans from directors – unsecured	5.45	2009 – 2010	**3,466**	3,663
			7,648	8,853
			145,920	123,720

24. BANK AND OTHER BORROWINGS (continued)

	Group	
	2007	2006
	HK$'000	HK$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**126,428**	106,671
In the second year	**1,532**	1,185
In the third to fifth years, inclusive	**2,650**	3,397
	130,610	111,253
Other borrowings repayable:		
Within one year	**11,844**	8,196
In the second year	**2,894**	800
In the third to fifth years, inclusive	**572**	3,471
	15,310	12,467
	145,920	123,720

(a) Certain bank borrowings are secured by:

(i) the Group's freehold land and buildings with an aggregate carrying value at the balance sheet date of approximately HK$41,937,000 (2006: HK$18,374,000) (note 13);

(ii) the Group's prepaid land lease payments with an aggregate carrying value at the balance sheet date of approximately HK$7,556,000 (2006: HK$140,000) (note 15);

(iii) the Group's investment properties of HK$21,400,000 (2006: HK$20,980,000) (note 14);

(iv) the Group's unlisted investments amounting to HK$3,149,000 (2006: HK$3,013,000) (note 20); and

(v) the Group's fixed deposits amounting to HK$9,535,000 (2006: HK$8,229,000) (note 21).

24. BANK AND OTHER BORROWINGS (continued)

(b) The carrying amounts of the Group's bank borrowings approximate to their fair values. The fair value of bank borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

(c) Except for the secured bank loans and overdrafts amounting to HK$10,860,000 (2006: HK$10,582,000) and HK$12,133,000 (2006: Nil) which are denominated in Thai Baht and Renminbi, respectively, all borrowings are in Hong Kong dollars.

(d) Loans from directors of HK$9,197,000 (2006: HK$6,365,000) are unsecured, interest-free and have no fixed terms of repayment. The remaining loans from directors of HK$5,505,000 (2006: HK$3,941,000) are unsecured, bear interest at rates ranging from 2.43% to 5.45% per annum and with repayment terms of 12 or 48 instalments payable monthly with the last installment due in November 2007 or May 2009, respectively.

The carrying amounts of the Group's loans from directors approximate to their fair values.

(e) As at 31 March 2007, the Group did not comply with certain financial covenants which are related to the value of the Group's consolidated net assets and gearing ratio as set out in the banking facility agreements entered into with two banks. The bank borrowings with these two banks of approximately HK$30,841,000 and HK$6,538,000 were recorded as current liabilities as at 31 March 2007.

The directors of the Company have informed the banks in respect of such breach of the financial covenants but the Group and the banks have not renegotiated the terms of the banking facility agreements.

24. BANK AND OTHER BORROWINGS (continued)

Other interest rate information:

	Group					
	2007			2006		
	Interest-free	**Fixed rate**	**Floating rate**	Interest-free	Fixed rate	Floating rate
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Finance lease payables	**–**	**100**	**508**	–	264	1,897
Bank overdrafts – secured	**–**	**–**	**12,833**	–	–	13,276
Bank loans – secured	**–**	**–**	**22,636**	–	–	10,888
Trust receipt loans – secured	**–**	**–**	**45,884**	–	–	39,932
Loans from directors – unsecured	**9,197**	**1,843**	**3,662**	6,365	96	3,845
Advances from banks as consideration for the Factored Receivables	**–**	**–**	**49,257**	–	–	47,157

25. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery for its manufacturing operations. These leases are classified as finance leases and have remaining lease terms of one year.

At the balance sheet date, the total future minimum lease payments under finance leases and their present values were as follows:

Group	**Minimum lease payments 2007**	**Minimum lease payments 2006**	**Present value of minimum lease payments 2007**	**Present value of minimum lease payments 2006**
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts payable:				
Within one year	617	1,616	608	1,553
In the second year	–	617	–	608
Total minimum finance lease payments	617	2,233	608	2,161
Future finance charges	(9)	(72)		
Total net finance lease payables	608	2,161		
Portion classified as current liabilities (note 24)	(608)	(1,553)		
Long term portion (note 24)	–	608		

26. DEFERRED TAX

The principal components of the Group's and Company's net deferred tax asset position which have not been recognised in the financial statements are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Depreciation allowances less than/ (in excess of) related depreciation	**(402)**	181	**–**	–
Tax losses	**24,197**	17,251	**167**	88
	23,795	17,432	**167**	88

The Group has tax losses arising in Hong Kong of HK$91,464,000 (2006: HK$71,770,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Thailand of HK$18,219,000 (2006: HK$14,955,000) and in Mainland China of HK$10,746,000 (2006: HK$1,087,000) that can be used to offset against future taxable profits of the companies in which the losses arose, which are due to expire after five years. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

27. SHARE CAPITAL

Shares

	Company	
	2007	2006
	HK$'000	HK$'000
Authorised:		
500,000,000 ordinary shares of HK$0.10 each	**50,000**	50,000
Issued and fully paid:		
401,838,800 ordinary shares of HK$0.10 each	**40,184**	40,184

27. SHARE CAPITAL (continued)

Share option scheme

On 23 August 2002, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

A summary of the Scheme of the Company is as follows:

Purpose	To provide incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the "Invested Entity").
Participants	(i) any employee (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company, any of its subsidiaries or any Invested Entity; (ii) any supplier of goods or services to any member of the Group or any Invested Entity; any customer of the Group or any Invested Entity; any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and (iii) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.
Total number of ordinary shares available for issue under the Scheme and the percentage of the issued share capital that it represents as at the date of the annual report	40,183,880 ordinary shares and 10% of the issued share capital.

27. SHARE CAPITAL (continued)

Share option scheme (continued)

Maximum entitlement of each participant	Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting. Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such grant or further grant of options must be approved by the shareholders in a general meeting.
Period within which the securities must be taken up under an option	An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the Scheme.

27. SHARE CAPITAL (continued)

Share option scheme (continued)

Minimum period for which an option must be held before it can be exercised	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.
Amount payable on acceptance of the option and the period within which such payment must be made	The offer of a grant of share options may be accepted within 28 days from the date of offer with a consideration of HK$1.00 being payable by the grantee.
Exercise price	Determined by the directors but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the grant of options; and (iii) the nominal value of shares.
The remaining life of the Scheme	The Scheme remains in force until 27 August 2012.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

27. SHARE CAPITAL (continued)

Share option scheme (continued)

The following table shows the details of share options during the year:

Category of participant	Number of share options at 1 April 2006 and 31 March 2007	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK$ per share
Employees other than the directors				
In aggregate	530,000	3 June 2004	21 May 2004 to 20 May 2007	0.180
	530,000	3 June 2004	21 January 2005 to 20 May 2007	0.180
	530,000	3 June 2004	21 September 2005 to 20 May 2007	0.180
	1,590,000			

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

At the balance sheet date, the Company had 1,590,000 share options outstanding under the Scheme, which represented approximately 0.40% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 1,590,000 additional ordinary shares of the Company and additional share capital of HK$159,000 and share premium of HK$127,200 (before issue expenses).

Subsequent to the balance sheet date, all of the above 1,590,000 outstanding share options lapsed due to the expiry of the exercise period.

28. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 40 of the financial statements.

The contributed surplus of the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1994, over the nominal value of the Company's shares issued in exchange therefor.

(b) Company

	Share premium account	Contributed surplus	Capital redemption reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2005	124,711	62,604	464	12,350	200,129
Loss for the year	–	–	–	(287)	(287)
At 31 March 2006 and 1 April 2006	124,711	62,604	464	12,063	199,842
Loss for the year	–	–	–	(504)	(504)
At 31 March 2007	**124,711**	**62,604**	**464**	**11,559**	**199,338**

The contributed surplus of the Company represents the excess of the fair value of the subsidiaries acquired pursuant to the reorganisation referred to in (a) above, over the nominal value of the Company's shares issued for their acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay off its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

The capital redemption reserve represents the par value of shares of the Company which have been repurchased and cancelled.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before tax to net cash inflow/(outflow) from operating activities

	Notes	**2007**	2006
		HK$'000	HK$'000
Loss before tax		**(36,095)**	(6,988)
Adjustments for:			
Finance costs	6	**8,543**	4,939
Bank interest income	5	**(367)**	(178)
Loss/(gain) on disposal of items of property, plant and equipment	7	**308**	(245)
Depreciation	7	**17,206**	14,284
Amortisation on prepaid land lease payments	7	**386**	367
Changes in fair value of investment properties	7	**(420)**	(480)
Fair value change in investments at fair value through profit or loss	5	**(86)**	(69)
		(10,525)	11,630
Increase in trade debtors		**(11,849)**	(2,568)
Increase in other debtors, prepayments and deposits		**(2,973)**	(1,139)
Increase in inventories		**(10,266)**	(11,431)
Increase in trade creditors		**23,767**	4,500
Decrease in bills payable		**(513)**	(359)
Increase in other creditors and accruals		**7,395**	387
Exchange adjustments		**8,501**	–
Cash generated from operations		**3,537**	1,020
Hong Kong profits tax refunded/(paid)		**196**	(638)
Overseas taxes refunded/(paid)		**55**	(466)
Net cash inflow/(outflow) from operating activities		**3,788**	(84)

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Major non-cash transactions

In 2006, the Group entered into finance lease arrangements in respect of items of property, plant and equipment with a capital value at the inception of the leases of HK$1,450,000.

30. CONTINGENT LIABILITIES

(a) At 31 March 2007, the Company had guarantees given to banks in connection with facilities granted to its subsidiaries to the extent of approximately HK$152,513,000 (2006: HK$141,138,000), of which HK$130,610,000 (2006: HK$111,253,000) had been utilised at the balance sheet date.

(b) The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$319,000 (2006: HK$234,000), as further explained under the heading "Employee benefits" in note 2.5 to the financial statements. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

31. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases certain of its investment properties (note 14) under an operating lease arrangement, with the lease negotiated for a term of three years. The terms of the lease also requires the tenants to pay security deposits.

At the balance sheet date, the Group had total future minimum lease receivables under the non-cancellable operating lease with its tenants falling due as follows:

	2007 HK$'000	2006 HK$'000
Within one year	**216**	216
In the second to fifth years, inclusive	**198**	414
	414	630

32. COMMITMENTS

At the balance sheet date, the Group had the following capital commitments:

	Group	
	2007	2006
	HK$'000	HK$'000
Contracted, but not provided for in respect of purchases of items of property, plant and equipment	**2,238**	11,185

Apart from the above, the subsidiaries of the Company had commitments in respect of capital contributions to wholly-foreign-owned enterprises of the Company in Mainland China amounting to HK$33,982,000 (2006: HK$33,689,000) at the balance sheet date.

At the balance sheet date, the Company did not have any significant commitments.

33. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Group	
	2007	2006
	HK$'000	HK$'000
Interest expense paid to directors (note)	**235**	151

Note: The interest expense paid to directors arose from the loans advanced from the directors during the year. Further details of the loans are disclosed in note 24 to the financial statements.

33. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

(i) As at 31 March 2006, the Group had made advances to a related company, in which a director of the Group has a beneficial interest, of HK$632,000 included in other debtors, prepayments and deposits. The advances were unsecured, interest-free and had no fixed terms of repayment.

As at 31 March 2007, the Group did not make any advance to any related company.

(ii) Details of the Group's loans from directors as at the balance sheet date are disclosed in note 24 to the financial statements.

(c) Compensation of key management personnel of the Group:

	2007	2006
	HK$'000	HK$'000
Short term employee benefits	**10,670**	10,757
Post-employment benefits	**152**	164
Total compensation paid to key management personnel	**10,822**	10,921

Further details of directors' emoluments are included in note 8 to the financial statements.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's businesses expose it to a variety of financial risks including cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Cash flow interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from bank and other borrowings. The Group has not used interest rate swaps to hedge its exposure to interest rate risk.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk

The Group operates internationally and has transactional currency exposures to various currencies. Most of the Group's operating activities are denominated in United States dollars ("US$"), Thai Baht ("Baht"), Renminbi ("RMB") and Hong Kong dollars. The Group's foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has not used any forward contract or currency borrowing to hedge its exposure to foreign currency risk.

(c) Credit risk

The carrying amount of the trade debtors included in the consolidated balance sheet represents the Group's maximum exposure to credit risk. The Group has put in place policies to ensure that sales of products are made to recognised and creditworthy customers. In addition, trade debtor balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of an adequate amount of committed credit facilities. Management aims to maintain flexibility in funding by keeping credit lines available.

35. POST BALANCE SHEET EVENT

On 16 July 2007, the Group entered into a sale and purchase agreement with certain directors of the Group to dispose certain of its land and buildings situated in Hong Kong for a cash consideration of HK$5,980,000. This transaction is scheduled to be completed on or before 16 August 2007 and is expected to result in a gain on disposal before tax of approximately HK$5.2 million. This transaction constitutes a connected transaction under the Listing Rules. Details of the transactions are set out in the Company's announcement dated 16 July 2007.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 July 2007.