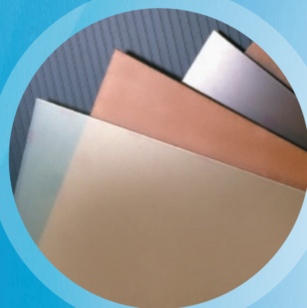
NAM HING HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 986)



'08 annual report

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. 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
Shanghai Commercial Bank Limited

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Website

http://www.namhingholdings.com

Stock Code

986

Corporate Structure

- NAM HING HOLDINGS LIMITED (Incorporated in Bermuda)
  - THE PEOPLE'S REPUBLIC OF CHINA
    - HONG KONG
      - NAM HING INDUSTRIAL LAMINATE LIMITED — Trading of Industrial Laminates
      - NAM HING CIRCUIT BOARD CO., LTD. — Trading of Printed Circuit Boards
    - MAINLAND CHINA
      - ZHONGSHAN NAM HING INSULATING MATERIAL LIMITED — Manufacture of Industrial Laminates
      - ZHONGSHAN CHUNG YUEN ELECTRONIC APPLIED MATERIALS COMPANY LIMITED — Manufacture of Industrial Laminates
      - NAM HING CIRCUIT BOARD (DONGGUAN) CO., LIMITED — Manufacture of Printed Circuit Boards
      - SUZHOU NAM HING INDUSTRIAL LAMINATE CO., LIMITED — Manufacture of Industrial Laminates
      - ZHUHAI NAM HING LONG ELECTRONICS COMPANY LIMITED — Not yet commenced business
  - THAILAND
    - BANGKOK INDUSTRIAL LAMINATE CO., LIMITED — Trading and Manufacture of Copper Foils

Chairman's Statement

I would like to report to the 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 2008.

BUSINESS REVIEW AND PROSPECTS

The consolidated turnover of the Group for the year ended 31 March 2008 was HK$302,813,000, representing a 7.7% decrease as compared with HK$328,085,000 of the previous year. The loss of the Group increased from HK$36,124,000 in the previous year to HK$91,565,000 in the current year, mainly because of an exceptional item in the year: the impairment of items of property, plant and equipment and trademark amounting to approximately HK$50 million.

Operating loss arose mainly from the adverse operating environment for the whole Group, particularly the industrial laminate division, and the continuing increase in operating costs in Mainland China. Accordingly, the Group's profit margin further decreased from 5.4% in the previous year to 1.3% this year.

Industrial Laminate Division

Industrial Laminate Plant in Suzhou, the PRC

During the year under review, the industrial laminate business, the core business of the Group, achieved a turnover of HK$198,273,000 (2007: HK$229,702,000), representing approximately 65.5% of the Group's turnover and a decrease of 13.7% as compared with turnover of the previous year. The business sustained a heavy loss for the year because of substantial increases in costs which significantly squeezed the profit margin. These included steep increases in raw material costs globally, in particular with regard to petroleum related products, fuel and labour costs as well as the appreciation of Renminbi ("RMB") in Mainland China where the Group's manufacturing bases are located.

The industrial laminate operations in Suzhou also suffered losses of HK$16,365,000 (before impairment of items of property, plant and equipment and trademark) mainly due to a competitive market in paper laminate products. Moreover, the impairment of machineries and trademark in the Suzhou factory due to poor operating conditions also rendered the necessity of an impairment loss amounting to approximately HK$47 million. Although the business continued to attract new customers, sales volume was not as favourable as had been expected and receivables were not as readily collectible as had hoped for. Provision for doubtful debts of HK$3 million on certain long outstanding collectibles was made during the year.

The Group is now reviewing the existing operation of the industrial laminate division in view of continued losses and the declining operating environment, and is considering the restructuring and streamlining of the operation in the best interests of the Group. Measures such as scale-down of loss making plants or production line will be implemented and the management would like to focus the Group's resources on products and customers with better margin and prospects.

Printed Circuit Board (PCB) Division

One of the Drilling Machine in Dongguan Plant

For the year ended 31 March 2008, the PCB division recorded a turnover of HK$101,854,000 (2007: HK$96,631,000), which accounted for approximately 33.6% of the Group's turnover and represented a slight increase of 5.4% as compared with turnover of the previous year. The increase in turnover was attributable to increase in turnover from overseas markets. Although business growth has remained steady, it is the directors' view that the future prospects for this business are uncertain as the global economy has been experiencing recession recently. The Group will put the commencement of operation of its new plant in Zhuhai on hold as it will require additional capital commitment and working capital.

Copper Foil Division

Copper Foil Manufacturing Plant in Thailand

For the year ended 31 March 2008, the copper foil plant in Thailand recorded a loss of HK$2,419,000 due to the sustained high prices of copper and high production costs. As copper is a major material of industrial laminate, continually rising prices exerted great pressure on the Group. The senior management has been very cautious in the procurement of copper to minimize the adverse effects of high prices. The Group will also explore the opportunities of outside sourcing of copper foil to reduce cost if possible.

Outlook

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

The continuing unfavourable operating environment, especially the surge of raw material costs, appreciation of RMB and tightening of administrative controls in Mainland China has cast significant doubts on the future operation of the manufacturing industry in Mainland China. The Group has experienced heavy margin squeezing in the past year in the laminate division. Weak operating results also exerted considerable pressure on the Group's cashflow position. The Group will implement a series of measures to ease the cashflow. Such measures may include the restructuring of certain business units and disposal of non-core loss making business or assets in order to secure sufficient resources for the Group's future operation, particularly in the core business and products with better prospects.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 March 2008, the Group's total cash and bank balances and pledged fixed deposits amounted to HK$15,116,000 (2007: HK$13,479,000). The total interest-bearing bank loans and other borrowings decreased from HK$136,723,000 as at 31 March 2007 to HK$114,380,000 as at 31 March 2008. The Group's gearing ratio, which is net debt divided by the total shareholders' equity plus net debt, increased from 0.56 as at 31 March 2007 to 0.64 as at 31 March 2008. Net debt included bank and other borrowings, trade, bills and other payables and accruals, less cash and bank balances. As at 31 March 2008, the Group had a current ratio of 0.83 (2007: 0.85) and net current liabilities of HK$31,665,000 (2007: HK$34,744,000).

The overall financial position of the Group as at 31 March 2008 was less favourable as compared with that of the last year because of operating losses incurred during the year. Although concerted efforts were made by the management to reduce the bank borrowing level, the management considered the current ratio and gearing ratio to be unsatisfactory and will put in further efforts to rectify, through certain financing activities, the net current liability 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	
	2008	2007
	HK$'000	HK$'000
Repayable within one year or on demand	**101,096**	138,272
Repayable in the second year	**6,501**	4,426
Repayable in the third to fifth years, inclusive	**11,743**	3,222
Beyond five years	**4,303**	–
	123,643	145,920

The Group's borrowings and cash and bank balances are primarily denominated in Hong Kong dollars, Thai Baht and RMB. Given the continuous revaluation of the RMB, the Group is expected to experience pressure on its operating costs. 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 to reduce exposure to foreign exchange risks.

Contingent liabilities

As at 31 March 2008, the Company had guarantees given to banks in connection with facilities granted to its subsidiaries to the extent of approximately HK$130,278,000 (2007: HK$152,513,000), of which HK$93,144,000 (2007: HK$130,610,000) have been utilised as at the balance sheet date.

Pledge of assets

As at 31 March 2008, the Group's assets pledged as security for banking facilities amounted to approximately HK$87,661,000 (2007: HK$83,577,000).

Employment, training and remuneration policies

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 915 employees as at 31 March 2008 (2007: 1,098). 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, 22 September 2008 to Thursday, 25 September 2008 (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 Thursday, 25 September 2008, 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 Branch Share Registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 19 September 2008.

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
25 July 2008

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 2008.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Company acknowledges the importance of maintaining good corporate governance practices. The Board sets policies and implements corporate governance practices appropriate to the conduct of the Group's business.

The Company has applied the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the Board, the Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 March 2008. The key corporate governance principles and practices of the Company are summarized as follows:

A. THE BOARD

A.1 Responsibilities and Delegation

The overall management and control of the Company's business is vested in the Board. The Board is responsible for establishing policies, strategies and plans, providing leadership and overseeing the Company's financial performance. All directors carry out their duties in good faith, take decisions objectively and acts in the interests of the Group.

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 access to relevant information of the Group as well as the advice and services of the senior management. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board.

A. THE BOARD (continued)

A.1 Responsibilities and Delegation (continued)

The day-to-day management, administration and operation of the Company are led by the Executive Committee and the Chief Executive Officer of the Company. The Board has also delegated a schedule of responsibilities to the senior management of the Company, which 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 support of the senior management to discharge its responsibilities.

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 foregoing officers and senior management.

A.2 Board Composition

The Board comprises the following directors:–

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 Chairman of both 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)*

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 both the Audit Committee and the Remuneration Committee)*
Mr. Pravith Vaewhongs *(Member of the Audit Committee)*

The Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise.

A. THE BOARD (continued)

A.2 Board Composition (continued)

The list of all directors (by category) is set out under the section headed "Corporate Information" in this annual report and is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications of the Company.

The relationships among the members of the Board are disclosed under the section headed "Brief biographical details in respect of directors and senior management staff" in this annual report.

The Board has maintained the necessary balance of skills and experience. The independent non-executive directors bring different business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Board committees of the Company. The independent non-executive directors contributed to the Group through participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests and serving on Board committees.

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

A.3 Chairman and Chief Executive Officer

There are two key aspects of the management of the Company – the management of the Board and the day-to-day management of the Group's business. The Company supports that there should be a clear division of these responsibilities at the Board level to ensure a balance of power and authority, so that power is not concentrated in any one individual. Currently, Mr. Lau Kwai, who is the Chairman of the Board, takes up the responsibility of the management of the Board whereas Mr. Lau Chung Yim, the Chief Executive Officer of the Company, is responsible for the day-to-day management of the Group's business. The respective responsibilities between the Chairman of the Board and the Chief Executive Officer have been clearly established and set out in writing.

A. THE BOARD (continued)

A.4 Appointment and Re-election of Directors

All directors of the Company are appointed for a specific term. Each executive director is engaged on a service contract with the Company and their current term of office is three years from 1 January 2006. The term of office of the three independent non-executive directors, namely Mr. Chang Tso Tung, Stephen, Mr. Leung Hon Ming and Mr. Pravith Vaewhongs is up to the date of holding of the Company's 2008 annual general meeting.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Bye-laws (the "Bye-laws"). In accordance with the Bye-laws, all the directors 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.

The Company has not set up a nomination committee and 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 succession planning of directors and assessing the independence of independent non-executive directors. The Company has adopted "Director's Nomination Procedures" as written guidelines in providing 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.

During the year under review, the Board has met once, with the presence of all the then directors except Mr. Lau Chung Hung, and performed the following work regarding matters relating to the Board composition:

(i) review of the structure, size and composition of the Board;

(ii) recommendation of the re-election of the retiring directors standing for re-election at the 2007 annual general meeting of the Company; and

(iii) assessment of the independence of all the independent non-executive directors of the Company.

A. THE BOARD (continued)

A.5 Induction and Continuing Development for Directors

Each newly appointed director of the Company receives an induction on the first occasion of his/her appointment, so as to let him/her have an appropriate understanding of the business and operations of the Group and be aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Directors of the Company are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. In addition, the Company has sent the latest version of the "Non-statutory Guidelines on Directors' Duties" published by the Hong Kong Companies Registry to its directors and encourages them to read such Guidelines in order to acquaint themselves with the general duties of directors and the required standard of care, skill and diligence in the performance of his/her functions and exercise of his/her powers as directors.

A.6 Board Meetings

A.6.1 Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with the directors in advance in order to facilitate them to attend. In addition to the above, notice of at least 14 days is given of a regular Board meeting. For other Board meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all directors together with the notice in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with appropriate and reliable information are usually sent to the directors at least 3 days before each Board meeting to keep the directors apprised of the business developments and financial position of the Group 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.

The Chief Executive Officer, Financial Controller, Company Secretary and other relevant senior management normally attend regular Board meetings and, where necessary, other Board meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

A. THE BOARD (continued)

A.6 Board Meetings (continued)

A.6.1 *Board Practices and Conduct of Meetings* (continued)

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

According to the current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Bye-laws contain 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.

A.6.2 *Directors' Attendance Records in Board Meetings*

The Board has met regularly during the year ended 31 March 2008 at approximately quarterly intervals for reviewing and discussing on the financial and operating performance of the Group and other related matters. Apart from the four regular Board meetings, the Board also held two additional Board meetings during the year. The attendance records of each director at these six Board meetings are set out below:

Name of Director	Attendance/Number of Board Meetings
Executive directors	
Mr. Lau Kwai	3/6
Mr. Lau Chung Yim	6/6
Mr. Lau Chung Hung	4/6
Mr. Lau Hing Hai	6/6
Ms. Lau May Wah	6/6
Mr. Kwok Kwan Hung (Note)	6/6
Independent non-executive directors	
Mr. Chang Tso Tung, Stephen	6/6
Mr. Leung Hon Ming	5/6
Mr. Pravith Vaewhongs	3/6

Note: Subsequent to the year-end date, Mr. Kwok Kwan Hung has resigned as an executive director of the Company with effect from 17 April 2008.

A. THE BOARD (continued)

A.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") contained in Appendix 10 to the Listing Rules. Each director has been given a copy of the Own Code. Specific enquiry has been made of all the Company's directors and they have confirmed their compliance with the Own Code and the Model Code in respect of the year ended 31 March 2008.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by relevant 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 relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

B. BOARD COMMITTEES

The Board has established three Board committees, namely, the Remuneration Committee, the Audit Committee and the Executive Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Company's website "www.namhingholdings.com" and are available to shareholders upon request. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out in section A.6.1 above.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B.1 Remuneration Committee

The Remuneration Committee comprises a total of three members, being one executive director, namely, Mr. Lau Chung Yim and two independent non-executive directors, namely, Mr. Chang Tso Tung, Stephen and Mr. Leung Hon Ming. Accordingly, a majority of the members are independent non-executive directors. The chairman of the Remuneration Committee is Mr. Lau Chung Yim.

B. BOARD COMMITTEES (continued)

B.1 Remuneration Committee (continued)

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of directors and members of senior management. The Remuneration Committee is also responsible for establishing procedures for developing such remuneration policy and structure in order 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.

During the year ended 31 March 2008, the Remuneration Committee has met once with all the committee members present at the meeting. The members in that meeting have reviewed the current remuneration packages of the directors and senior management of the Group.

Details of the remuneration of each director of the Company for the year ended 31 March 2008 are set out in note 8 to the financial statements contained in this annual report.

B.2 Audit Committee

The Audit Committee comprises a total of three members, being the three independent non-executive directors, namely Mr. Chang Tso Tung, Stephen, Mr. Leung Hon Ming and Mr. Pravith Vaewhongs. The chairman of the Audit Committee is Mr. Chang Tso Tung, Stephen who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditors and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

B. BOARD COMMITTEES (continued)

B.2 Audit Committee (continued)

During the year ended 31 March 2008, the Audit Committee has met three times and performed the following major works:

– Review of the financial statements, results announcements and reports for the year ended 31 March 2007 and for the six months ended 30 September 2007, and the accounting principles and practices adopted by the Group;

– Discussion on the audit issues raised by Ernst & Young, the auditors of the Company, including the impairment of assets in the Group's Suzhou plant and the going concern issue and other audit findings;

– Review of and discussion on the report and recommendation made by an external certified public accounting firm engaged by the Company in respect of the internal control system of the Group; and

– Discussion and recommendation of the re-appointment of Ernst & Young as the auditors of the Company.

The auditors were invited to attend one of the meetings to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the appointment of external auditors.

The attendance records of the foregoing three Audit Committee meetings are set out as follows:

Name of Audit Committee Member	Attendance/Number of Audit Committee Meetings
Mr. Chang Tso Tung, Stephen *(Chairman)*	3/3
Mr. Leung Hon Ming	3/3
Mr. Pravith Vaewhongs	1/3

B. BOARD COMMITTEES (continued)

B.3 Executive Committee

The Executive Committee comprises all the executive directors of the Company and Mr. Lau Chung Yim is the chairman of such Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Group.

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2008. The management has provided such explanation and information to the Board as necessary to enable the Board to assess the financial information and position of the Group put forward to the Board for approval.

As set out in the "Consolidated Income Statement" and the "Consolidated Balance Sheet" respectively in this annual report, the Group incurred a loss attributable to the Company's shareholders of HK$91,565,000 during the year ended 31 March 2008 and reported consolidated net current liabilities of HK$31,665,000 as at 31 March 2008. As explained in the Independent Auditors' Report and note 2.1 to the financial statements contained in this annual report, the financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support from the Company's substantial shareholders, the continuous support from the Group's existing bankers and the ability to realize the Group's assets to meet its future working capital and financial requirements. The Company's auditors consider that appropriate disclosures have been made in the financial statements concerning this situation but they consider that this fundamental uncertainty relating to whether the going concern basis is appropriate is so extreme that they have disclaimed their opinion. Due to the significance of the fundamental uncertainty relating to the going concern basis, the auditors do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the Group's loss and cash flows for the year then ended. In order to sustain the Group as a going concern, the Group, as detailed in note 2.1 to the financial statements, is currently undertaking a number of measures to improve its financial and current liquidity position.

D. INTERNAL CONTROLS

During the year under review, the Board has reviewed the effectiveness of the internal control system of the Group, and has discussed about the recommendations given by the external auditors and the external certified public accounting firm engaged by the Company. The Board has agreed to adopt these recommendations.

E. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of Ernst & Young about their reporting responsibilities on the Company's financial statements for the year ended 31 March 2008 is set out in the section headed "Independent Auditors' Report" in this annual report.

A summary of audit and non-audit services provided by Ernst & Young to the Group for the year ended 31 March 2008 and the corresponding service fees is as follows:

Nature of services	Amount (HK$'000)
Audit services	1,200
Non-audit services – taxation	68

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board believes that a transparent and timely disclosure of the Group's information will enable shareholders and investors to make the best investment decision and to have better understanding on the Group's business performance and strategies. It is also vital for developing and maintaining continuing investor relations with the Company's potential and existing investors.

The Company maintains a website at "www.namhingholdings.com" as a communication platform with shareholders and investors, where information and updates on the Group's financial information and other information are available for public access. Shareholders and investors may write directly to the Company at its principal place of business for any inquiries.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. The Chairman of the Board as well as the chairmen and/or other members of the Audit Committee and the Remuneration Committee are normally present at the annual general meetings and other shareholders' meetings of the Company to answer questions raised.

G. SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting.

Besides, the rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings and shareholders' rights for proposing resolutions are contained in the Bye-laws of the Company. Details of such rights for demanding a poll are also included in all circulars of the Company sent to shareholders and, where necessary, explained in 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 of the Company shortly after the meeting.

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 2008.

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

The Group's loss for the year ended 31 March 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 39 to 43.

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				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**302,813**	328,085	281,128	277,082	257,599
Profit/(loss) before tax	**(91,037)**	(36,095)	(6,988)	6,004	(15,622)
Tax	**(528)**	(29)	(159)	(1,105)	38
Profit/(loss) for the year	**(91,565)**	(36,124)	(7,147)	4,899	(15,584)

SUMMARY OF FINANCIAL INFORMATION (continued)

	At 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**145,800**	188,127	172,968	170,923	174,174
Investment properties	**7,360**	21,400	20,980	4,520	4,480
Prepaid land lease payments	**15,431**	14,528	14,080	14,097	13,525
Trademark	**–**	2,329	2,226	2,172	2,170
Current assets	**151,319**	195,244	169,457	117,316	131,487
Current liabilities	**(182,984)**	(229,988)	(175,934)	(104,721)	(119,280)
Net current assets/(liabilities)	**(31,665)**	(34,744)	(6,477)	12,595	12,207
Total assets less current liabilities	**136,926**	191,640	203,777	204,307	206,556
Long term portion of bank and other borrowings	**(21,650)**	(7,648)	(8,245)	(6,314)	(13,944)
Long term portion of finance lease payables	**(897)**	–	(608)	(1,248)	(1,749)
	114,379	183,992	194,924	196,745	190,863

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the Group's property, plant and equipment and investment properties during the year are set out in notes 13 and 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 28 and 29 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, redeemed or sold 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 30(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2008, the Company does not have any reserves available for cash distribution and/or distribution in specie. In addition, the Company's share premium account in the amount of HK$126,227,000 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 40% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 11%.

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 and up to the date of this report were:

Executive directors:

Mr. Lau Kwai *(Chairman)*
Mr. Lau Chung Yim *(Chief Executive Officer)*
Mr. Lau Chung Hung
Mr. Lau Hing Hai
Ms. Lau May Wah
Mr. Kwok Kwan Hung (resigned on 17 April 2008)

Independent non-executive directors:

Mr. Chang Tso Tung, Stephen
Mr. Leung Hon Ming
Mr. Pravith Vaewhongs

Pursuant to clause 87 of the Company's bye-laws, Mr. Lau Chung Yim, Mr. Lau Hing Hai and Mr. Chang Tso Tung, Stephen will retire as directors of the Company by rotation at the Company's forthcoming annual general meeting (the "AGM"). All of the above three 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") of 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

Executive directors:

Mr. Lau Kwai, aged 88, is the Chairman of the Group and a member of the Executive Committee of the Company. He is also a director of certain 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 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 (Assistant General Manager of the Company's subsidiary).

Mr. Lau Chung Yim, aged 58, is the Managing Director, the Chief Executive Officer of the Group and the Chairman of both the Remuneration Committee and the Executive Committee of the Company. He is also a director of certain 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 of Massachusetts 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 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 (Assistant General Manager of the Company's subsidiary).

Mr. Lau Chung Hung, aged 55, is an executive director and a member of the Executive Committee of the Company. He is also a director of certain 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 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 (Assistant General Manager of the Company's subsidiary).

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

Executive directors: (continued)

Mr. Lau Hing Hai, aged 53, is an executive director and a member of the Executive Committee of the Company. He is also a director of certain 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 30 years' experience in the corporate product lines and market development. Mr. Lau 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 (Assistant General Manager of the Company's subsidiary).

Ms. Lau May Wah, aged 61, is an executive director and a member of the Executive Committee of the Company. She is also a director of certain 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 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 (Assistant General Manager of the Company's subsidiary).

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

Independent Non-executive directors:

Mr. Chang Tso Tung, Stephen, aged 59, is an independent non-executive director, the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He joined the Group in April 2005. 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 55, is an independent non-executive director and a member of both the Audit Committee and the Remuneration Committee of the Company. He joined the Group in May 1994. 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 27 years of professional experience in architectural, interiors and urban planning in Hong Kong and Mainland China.

Mr. Pravith Vaewhongs, aged 62, is an independent non-executive director and a member of the Audit Committee of the Company. He joined the Group in October 2006. He holds a bachelor's degree in chemistry from Chiang Mai University, Thailand and a master's degree in chemical engineering from 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 2001 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, which is fully integrated petrochemical manufacturer with the output of 1.5 million tons per year, the Thailand largest producer of Olefins and its derivative downstream products.

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

Senior management staff:

Mr. Lau Chung Pun, Daniel, aged 41, 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). Mr. Lau joined the Group in 1995 and 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.

Ms. Ip Sau Wah Katherine, aged 48, 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 49, 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 25 years' working experience in manufacturing industries.

Mr. Kwok Kwan Hung, aged 42, is the Qualified Accountant and the Company Secretary of the Company. He was appointed as an independent non-executive director of the Company in September 2004 and was re-designated as an executive director on 1 August 2006. He resigned as an executive director on 17 April 2008. He is a fellow member of both The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. Currently, Mr. Kwok is an independent non-executive director of Sun International Group Limited (formerly known as "Galileo Holdings Limited") and Info Communication Holdings Limited, both companies listed on the Growth Enterprise Market of the Stock Exchange, and Regent Manner International Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Chan Kwok Choi, **Stanley**, aged 44, is the Financial Controller of the Group. He joined the Group in April 2008 and has extensive working experience in accounting, finance and treasury. He obtained a bachelor's degree in Economics in Monash University, Australia and is a member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia.

DIRECTORS' SERVICE CONTRACTS

The Company entered into service contracts with its executive directors for the provision of management services by these directors to the Group and their current term of office is three years from 1 January 2006.

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 of compensation other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meeting every year. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, three of the directors received interests aggregating HK$246,000 for the advance to the Company. In addition, on 16 July 2007, four of the executive directors entered into a sale and purchase agreement with the Company's wholly owned subsidiary to purchase a property of the Group situated in Hong Kong for a cash consideration of HK$5,980,000, and a lease agreement to lease back the property to the Group from 23 July 2007 to 22 January 2009 at a monthly rental of HK$27,500 for the first six months and HK$30,000 for one year upon the expiration of the initial six months' term.

In May 2007, the Group also borrowed a loan of HK$3,200,000 from a related company, in which a director 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. The Group also entered into a rental agreement to lease certain of its office premise to this related company from 1 December 2006 to 30 November 2008 at a monthly rental of HK$5,000. 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 2008, the interests of the directors of the Company in the shares and underlying 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:

(a) Long position in ordinary shares of the Company

Name of director	Capacity	Notes	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital
Mr. Lau Kwai	Beneficial owner		1,500,000	0.36
	Founder of a discretionary trust	(a)	87,696,000	21.40
	Founder of a discretionary trust	(b)	42,078,400	10.26
	Founder of a discretionary trust	(c)	15,851,200	3.87
			147,125,600	35.89
Mr. Lau Chung Yim	Beneficial owner		35,310,000	8.62
	Beneficiary of a discretionary trust	(a)	87,696,000	21.40
	Beneficiary of a discretionary trust	(b)	42,078,400	10.26
			165,084,400	40.28
Mr. Lau Chung Hung	Beneficial owner		16,000,000	3.90
	Beneficiary of a discretionary trust	(a)	87,696,000	21.40
			103,696,000	25.30
Mr. Lau Hing Hai	Beneficial owner		4,000,000	0.97
	Beneficiary of a discretionary trust	(a)	87,696,000	21.40
	Beneficiary of a discretionary trust	(c)	15,851,200	3.87
			107,547,200	26.24
Ms. Lau May Wah	Beneficial owner		20,419,200	4.98
	Beneficiary of a discretionary trust	(a)	87,696,000	21.40
			108,115,200	26.38
Mr. Leung Hon Ming	Beneficial owner		150,000	0.04

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

(a) Long position in ordinary shares of the Company (continued)

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.

(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.

(b) Long position in the underlying shares of the Company – physically settled unlisted equity derivatives

Name of director	Capacity	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital
Mr. Lau Chung Hung	Beneficial owner	4,000,000	0.97
Ms. Lau May Wah	Beneficial owner	4,000,000	0.97

Details of the above share options granted by the Company as required to be disclosed pursuant to the Listing Rules are set out in the section headed "Share option scheme" below.

In addition to the above, as at 31 March 2008, 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 above and in the section headed "Share option scheme" below, as at 31 March 2008, none of the directors or chief executive of the Company had any interest or 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; nor had there been any grant or exercise of rights of such interests during the year ended 31 March 2008.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares" above and in the section "Share option scheme" below, 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.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing 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. Further details of the Scheme are disclosed in note 29 to the financial statements.

The following table discloses movements in the Company's share options during the year:

Name or category of participant	Number of share options Outstanding at 1 April 2007	Granted during the year*	Exercised during the year**	Lapsed during the year	Cancelled during the year	Outstanding at 31 March 2008	Date of grant of share options	Exercise period of share options***	Exercise price of share options**** HK$ per share
Directors									
Mr. Lau Chung Yim	–	4,000,000	(4,000,000)	–	–	–	20 Sep 2007	23 Oct 2007 to 22 Oct 2009	0.22
Mr. Lau Chung Hung	–	4,000,000	–	–	–	4,000,000	20 Sep 2007	23 Oct 2007 to 22 Oct 2009	0.22
Mr. Lau Hing Hai	–	4,000,000	(4,000,000)	–	–	–	20 Sep 2007	23 Oct 2007 to 22 Oct 2009	0.22
Ms. Lau May Wah	–	4,000,000	–	–	–	4,000,000	20 Sep 2007	23 Oct 2007 to 22 Oct 2009	0.22
	–	16,000,000	(8,000,000)	–	–	8,000,000			
Other employees working under continuous employment contracts									
In aggregate	530,000	–	–	(530,000)	–	–	3 Jun 2004	21 May 2004 to 20 May 2007	0.18
	530,000	–	–	(530,000)	–	–	3 Jun 2004	21 Jan 2005 to 20 May 2007	0.18
	530,000	–	–	(530,000)	–	–	3 Jun 2004	21 Sep 2005 to 20 May 2007	0.18
	–	1,600,000	–	(400,000)	–	1,200,000	20 Sep 2007	23 Aug 2008 to 22 Aug 2010	0.22
	1,590,000	1,600,000	–	(1,990,000)	–	1,200,000			
	1,590,000	17,600,000	(8,000,000)	(1,990,000)	–	9,200,000			

SHARE OPTION SCHEME (continued)

Notes to the table of movements in the Company's share options during the year:

*	The closing prices of the shares of the Company immediately before the date of offer and the date of grant were HK$0.221 and HK$0.25, respectively.

**	The weighted average closing price of shares immediately before the dates on which the options were exercised was HK$0.22.

***	The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

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

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 2008, the following persons, not being a director or chief executive of the Company, had interests in the shares and underlying shares of the Company, as recorded in the register required to be kept under Section 336 of the SFO or as the directors are aware:

(a) Long position in the ordinary shares of the Company

Name of substantial shareholder	Capacity	Notes	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital
Ms. Chan Ka Lam	Interest of spouse	(a)	107,547,200	26.24
Ms. Fong Shun Yum	Interest of spouse	(b)	147,125,600	35.89
Mr. Lo Tin Yuen	Interest of spouse	(c)	108,115,200	26.38
Ms. Tam Wai Ling, Josephine	Interest of spouse	(d)	165,084,400	40.28
Ms. Wong Yuk Ching	Interest of spouse	(e)	103,696,000	25.30
Woohei Inc.	Trustee	(f)	87,696,000	21.40
Dragon Power Inc.	Trustee	(f)	42,078,400	10.26
MeesPierson Trust (Asia) Limited	Trustee	(f) & (g)	145,625,600	35.53

Notes:

(a) Ms. Chan Ka Lam was deemed to be interested in 107,547,200 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.

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

(a) Long position in the ordinary shares of the Company (continued)

(d) Ms. Tam Wai Ling, Josephine was deemed to be interested in 165,084,400 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.

(b) Long position in the underlying shares of the Company – physically settled unlisted equity derivatives

Name of substantial shareholder	Capacity	Notes	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital
Mr. Lo Tin Yuen	Interest of spouse	(a)	4,000,000	0.97
Ms. Wong Yuk Ching	Interest of spouse	(b)	4,000,000	0.97

Notes:

(a) Mr. Lo Tin Yuen was deemed to be interested in 4,000,000 share options of the Company owned by his spouse, Ms. Lau May Wah, pursuant to Part XV of the SFO.

(b) Ms. Wong Yuk Ching was deemed to be interested in 4,000,000 share options of the Company owned by her spouse, Mr. Lau Chung Hung, pursuant to Part XV of the SFO.

Save as disclosed herein, as at 31 March 2008, 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.

CONNECTED TRANSACTION

On 16 July 2007, the Group entered into a sale and purchase agreement to dispose of the Group's property situated in Hong Kong to Mr. Lau Chung Yim, Mr. Lau Chung Hung, Mr. Lau Hing Hai and Ms. Lau May Wah, being the directors of the Group, at a consideration of HK$5,980,000 and leased back the property at a monthly rental of HK$27,500 for a term of six months and HK$30,000 for one year upon the expiration of the initial six months' term. For detail information, please refer to the announcement issued by the Company on 16 July 2007.

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 EVENTS

Details of the significant post balance sheet events of the Group are set out in note 37 to the financial statements.

AUDITORS

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

ON BEHALF OF THE BOARD

Lau Kwai
Chairman

Hong Kong
25 July 2008

ERNST & YOUNG
安 永

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 39 to 114, which comprise the consolidated and company balance sheets as at 31 March 2008, 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.

TO THE SHAREHOLDERS OF NAM HING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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.

BASIS FOR DISCLAIMER OF OPINION: FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

The Group incurred a loss attributable to the equity holders of the parent of HK$91,565,000 during the year ended 31 March 2008 and, as at that date, the Group reported consolidated net current liabilities of HK$31,665,000. In forming our opinion, we have considered the adequacy of the disclosures made in note 2.1 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As detailed in note 2.1 to the financial statements, the Group is currently undertaking a number of measures to improve its financial and current liquidity position. The financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support from the Company's substantial shareholders, the continuous support from the Group's existing bankers and the ability to realise the assets to meet the Group's future working capital and financial requirements. The financial statements do not include any adjustments that may be necessary should the implementation of such measures be unsuccessful. We consider that appropriate disclosures have been made in the financial statements concerning this situation, but we consider that this fundamental uncertainty relating to whether the going concern basis is appropriate is so extreme that we have disclaimed our opinion.

TO THE SHAREHOLDERS OF NAM HING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

Because of the significance of the fundamental uncertainty relating to the going concern basis, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ERNST & YOUNG
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong
25 July 2008

Consolidated Income Statement

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	5	**302,813**	328,085
Cost of sales		**(298,953)**	(310,322)
Gross profit		**3,860**	17,763
Other income and gains	5	**14,849**	4,201
Selling and distribution costs		**(8,150)**	(7,324)
Administrative expenses		**(32,373)**	(30,268)
Impairment of items of property, plant and equipment and trademark		**(49,771)**	–
Other expenses		**(9,448)**	(11,924)
Finance costs	6	**(10,004)**	(8,543)
LOSS BEFORE TAX	7	**(91,037)**	(36,095)
Tax	10	**(528)**	(29)
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	11	**(91,565)**	(36,124)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**HK(22.6242) cents**	HK(8.9897) cents
Diluted		**N/A**	N/A

Consolidated Balance Sheet

31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**145,800**	188,127
Investment properties	14	**7,360**	21,400
Prepaid land lease payments	15	**15,431**	14,528
Trademark		**–**	2,329
Total non-current assets		**168,591**	226,384
CURRENT ASSETS			
Trade debtors	17	**67,294**	109,215
Other debtors, prepayments and deposits	18	**6,028**	7,291
Inventories	19	**44,412**	61,760
Investment property held for sale	20	**14,640**	–
Investments at fair value through profit or loss	21	**3,645**	3,339
Tax recoverable		**184**	160
Pledged fixed deposits	22	**12,579**	9,535
Cash and bank balances	22	**2,537**	3,944
Total current assets		**151,319**	195,244
CURRENT LIABILITIES			
Trade creditors	23	**61,157**	70,932
Bills payable		**447**	1,481
Other creditors and accruals	24	**20,284**	19,303
Bank and other borrowings	25	**101,096**	138,272
Total current liabilities		**182,984**	229,988
NET CURRENT LIABILITIES		**(31,665)**	(34,744)
TOTAL ASSETS LESS CURRENT LIABILITIES		**136,926**	191,640
NON-CURRENT LIABILITIES			
Bank and other borrowings	25	**22,547**	7,648
Net assets		**114,379**	183,992
EQUITY			
Issued capital	28	**40,984**	40,184
Reserves	30(a)	**73,395**	143,808
Total equity		**114,379**	183,992

Lau Kwai
Director

Lau Chung Yim
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2008

	Issued capital HK$'000	Share premium account HK$'000	Share option reserve 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 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
Exchange differences on translation of the financial statements of overseas subsidiaries	–	–	–	–	18,310	–	–	18,310
Exchange differences on retranslation of loans of overseas subsidiaries	–	–	–	–	719	–	–	719
Total income and expense for the year recognised directly in equity	–	–	–	–	19,029	–	–	19,029
Loss for the year	–	–	–	–	–	–	(91,565)	(91,565)
Total income and expense for the year	–	–	–	–	19,029	–	(91,565)	(72,536)
Issue of shares	800	1,516	(556)	–	–	–	–	1,760
Equity-settled share option arrangements	–	–	1,163	–	–	–	–	1,163
At 31 March 2008	**40,984**	**126,227***	**607***	**2,031***	**25,668***	**464***	**(81,602)***	**114,379**

* These reserve accounts comprise the consolidated reserves of HK$73,395,000 (2007: HK$143,808,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	31(a)	**35,905**	1,688
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**494**	367
Purchases of items of property, plant and equipment		**(6,233)**	(16,670)
Increase in investments at fair value through profit or loss		**(376)**	(33)
Proceeds from disposal of items of property, plant and equipment and prepaid land lease payments		**6,113**	64
Additions to prepaid land lease payments		**–**	(212)
Increase in pledged fixed deposits		**(3,044)**	(1,306)
Net cash outflow from investing activities		**(3,046)**	(17,790)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans and other loans		**52,193**	26,726
Repayment of bank loans and other loans		**(24,561)**	(12,748)
Capital element of finance lease payments		**(1,355)**	(1,553)
Interest paid		**(9,827)**	(9,492)
Interest element of finance lease payments		**(177)**	(89)
Increase/(decrease) in trust receipt loans		**(21,224)**	5,952
Increase/(decrease) in advances from banks as consideration for the factored receivables		**(22,123)**	2,100
Proceeds from issue of shares		**1,760**	–
Net cash inflow/(outflow) from financing activities		**(25,314)**	10,896
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**7,545**	(5,206)
Cash and cash equivalents at beginning of year		**(8,889)**	(6,742)
Effect of foreign exchange rate changes, net		**72**	3,059
CASH AND CASH EQUIVALENTS AT END OF YEAR		**(1,272)**	(8,889)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**2,537**	3,944
Bank overdrafts, secured	25	**(3,809)**	(12,833)
		(1,272)	(8,889)

Balance Sheet

31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	**114,413**	239,534
CURRENT ASSETS			
Other debtors, prepayments and deposits	18	**177**	176
Cash and bank balances		**5**	6
Total current assets		**182**	182
CURRENT LIABILITIES			
Other creditors and accruals	24	**200**	194
NET CURRENT LIABILITIES		**(18)**	(12)
Net assets		**114,395**	239,522
EQUITY			
Issued capital	28	**40,984**	40,184
Reserves	30(b)	**73,411**	199,338
Total equity		**114,395**	239,522

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 2008, the Group had net current liabilities of HK$31,665,000 and had outstanding bank and other borrowings of HK$123,643,000, out of which HK$101,096,000 is due for repayment and renewal within the next 12 months. The Group incurred a loss attributable to equity holders of the parent of HK$91,565,000 for the year ended 31 March 2008.

In order to strengthen the capital base of the Group and to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have taken the following measures:

(a) Four directors of the Company, who are also the substantial shareholders of the Company, provided financial support to the Group in the form of directors' loans amounting to approximately HK$26,579,000 as at 31 March 2008 (2007: HK$14,702,000). Further details of the directors' loans are disclosed in note 25 to the financial statements. The directors have expressed their willingness to provide adequate funds for the Group to meet its liabilities as and when they fall due.

(b) The Group continues to scale down the production of non-profitable products.

(c) The Group is planning to dispose of certain of its operations and properties.

(d) The Group continues to implement certain measures to tighten cost controls over various general and administrative expenses.

(e) The directors of the Company are considering various alternatives to strengthen the capital base of the Company through fund raising exercises.

2.1 BASIS OF PRESENTATION (continued)

On the basis that all existing banking facilities will be continuously available for the Group's use and that certain directors would provide additional funding to the Group, 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 2008. The directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable 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 as 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 include all Hong Kong Financial Reporting Standards, 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 and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") 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 (collectively referred to as the "Group") for the year ended 31 March 2008. 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 interpretations has had no material effect on these financial statements.

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
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*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7: *Financial Instruments: Disclosures*

This 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. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1: *Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 36 to the financial statements.

(c) HK(IFRIC)-Int 8: *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees for identified services provided in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

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

(d) HK(IFRIC)-Int 9: *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10: *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 April 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

(f) HK(IFRIC)-Int 11: *HKFRS 2 – Group and Treasury Share Transactions*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. As the Group had no instruments acquired from another party or provided by shareholders, the interpretation has had no 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.

HKFRS 2 Amendment	*Share-based Payment – Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[4]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[4]
HKAS 32 and HKAS 1 Amendments	*Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HK(IFRIC)-Int 12	*Service Concession Arrangements*[3]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[2]
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*[3]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2008
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2009

HKFRS 2 Amendment restricts the definition of “vesting condition” to a condition that includes an explicit or implicit requirements to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

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

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will have impact on the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 April 2009.

HKAS 1 has been revised to separate owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owner, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it represents all items of income and expense, either in one single statement, or in two linked statements. The Group is still evaluating which option should it adopt.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKAS 27 has been revised to require a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

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

The changes introduced by HKFRS 3 and HKAS 27 must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HKAS 32 and HKAS 1 Amendments require puttable financial instruments and instruments or components of instruments that impose on the entity an obligation to deliver to another party a pro rata rate of the share of the net assets of the entity only on liquidation to be classified as equity. The Group expects to adopt HKAS 32 and HKAS 1 Amendments from 1 April 2009.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK (IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

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 HKFRS 8 and HKAS 1 (Revised) 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 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.

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.

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, but 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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);

(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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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	Not depreciated
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.

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, which are stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Investment property held for sale

Investment property is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the investment property must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such investment property and its sale must be highly probable. Investment property classified as held for sale is measured at the lower of its carrying amount and fair value less cost to sell.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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. Where the Group is the lessee, rentals payable under the operating leases are charged 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 financial assets at fair value through profit or loss, and 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 assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the 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, that is, 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.

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. The net fair value gain/loss recognised in the income statement does not include any dividends on these financial assets.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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 less any allowance for impairment. 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.

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. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

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 by adjusting the allowance account. 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 and significant changes in the technological, market economic or legal environment that have an adverse effect on 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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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 bank and other 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. The related interest expense is recognised within "finance cost" in the income statement.

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

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 to be incurred to completion and disposal.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 that are readily convertible into known amounts of cash, 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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The fair value is determined by using the Black-Scholes pricing model, further details of which are given in note 29 to the financial statements. 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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

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.

Other employee benefits

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 for those employees who are eligible to participate in the MPF Scheme. 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 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.

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.

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 preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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 discussed 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 cost to sell and value in use. The fair value less costs to sell was determined by valuation performed by LCH (Asia-Pacific) Surveyors Limited, independent professional qualified valuers. 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 have impact on 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 2008 and 2007.

	Manufacture and sale of laminates		Manufacture and sale of PCBs		Manufacture and sale of copper foils		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	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	**198,273**	229,702	**101,854**	96,631	**2,686**	1,752	**–**	–	**302,813**	328,085
Intersegment sales	**36,185**	42,731	**–**	–	**77,554**	89,010	**(113,739)**	(131,741)	**–**	–
Other revenue	**15,770**	1,128	**(2,581)**	101	**566**	2,211	**–**	(26)	**13,755**	3,414
Total	**250,228**	273,561	**99,273**	96,732	**80,806**	92,973	**(113,739)**	(131,767)	**316,568**	331,499
Segment results	**(78,835)**	(28,897)	**273**	1,122	**(2,419)**	740			**(80,981)**	(27,035)
Bank interest income and changes in fair value of investment properties									**1,094**	787
Unallocated expenses									**(1,146)**	(1,304)
Finance costs									**(10,004)**	(8,543)
Loss before tax									**(91,037)**	(36,095)
Tax									**(528)**	(29)
Loss for the year									**(91,565)**	(36,124)

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Manufacture and sale of laminates		Manufacture and sale of PCBs		Manufacture and sale of copper foils		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	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	181,037	295,487	73,827	70,116	42,895	51,305	(18,971)	(33,834)	278,788	383,074
Unallocated assets									37,313	25,721
Bank overdrafts included in unallocated assets									3,809	12,833
Total assets									319,910	421,628
Segment liabilities	52,121	59,367	34,868	51,901	13,670	14,088	(18,971)	(33,834)	81,688	91,522
Unallocated liabilities									120,034	133,281
Bank overdrafts included in unallocated assets									3,809	12,833
Total liabilities									205,531	237,636
Other segment information:										
Depreciation	8,170	6,254	3,690	3,503	7,434	7,449	–	–	19,294	17,206
Amortisation on prepaid land lease payments	336	340	48	46	–	–	–	–	384	386
Changes in fair value of investment properties									(600)	(420)
Impairment of trade debtors	6,134	39	1,128	226	–	–	–	–	7,262	265
Impairment of items of property, plant and equipment	47,442	–	–	–	–	–	–	–	47,442	–
Impairment of trademark	2,329	–	–	–	–	–	–	–	2,329	–
Provision against inventories	2,046	1,215	–	–	–	–	–	–	2,046	1,215
Capital expenditure	1,212	5,474	5,961	11,310	1,527	1,136	–	–	8,700	17,920

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 2008 and 2007.

	People's Republic of China									
	Hong Kong		Mainland China		Overseas		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	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	**173,900**	238,387	**42,836**	34,668	**86,077**	55,030	**–**	–	**302,813**	328,085
Other segment information:										
Segment assets	**117,957**	166,754	**175,233**	224,450	**41,882**	51,425	**(18,971)**	(33,834)	**316,101**	408,795
Bank overdrafts included in segment assets	**2,721**	12,475	**–**	–	**1,088**	358	**–**	–	**3,809**	12,833
									319,910	421,628
Capital expenditure	**–**	17	**7,173**	16,767	**1,527**	1,136	**–**	–	**8,700**	17,920

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	
	2008	2007
	HK$'000	HK$'000
Revenue		
Sale of goods	302,813	328,085
Other income and gains		
Sale of scrap materials	2,521	2,973
Bank interest income	494	367
Rental income	297	216
Foreign exchange gains, net	4,999	–
Gain on disposal of items of property, plant and equipment	4,284	–
Gain on disposal of prepaid land lease payments	967	–
Changes in fair value of investment properties	600	420
Fair value change in investments at fair value through profit or loss	–	86
Others	687	139
	14,849	4,201
	317,662	332,286

6. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	HK$'000
Interest expense on:		
Bank loans and other borrowings	6,490	5,704
Factoring arrangements	3,337	3,788
Finance leases	177	89
Total interest	10,004	9,581
Less: Interest capitalised in construction in progress	–	(1,038)
	10,004	8,543

7. LOSS BEFORE TAX

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

	Notes	2008 HK$'000	2007 HK$'000
Cost of inventories sold		**215,884**	234,034
Auditors' remuneration		**1,393**	1,215
Depreciation	13	**19,294**	17,206
Amortisation on prepaid land lease payments	15	**384**	386
Impairment of items of property, plant and equipment	13	**47,442**	–
Impairment of trade debtors	17	**7,262**	265
Impairment of trademark		**2,329**	–
Provision against inventories		**2,046**	1,215
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**19**	43
Changes in fair value of investment properties	14	**(600)**	(420)
Employee benefits expense (including directors' remuneration – note 8):			
Pension scheme contributions		**431**	357
Less: Forfeited contributions		**–**	–
Net pension scheme contributions*		**431**	357
Salaries and wages		**36,291**	32,749
Equity settled share option expense		**1,163**	–
		37,885	33,106
Foreign exchange loss/(gain), net		**(4,999)**	9,907
Fair value change in investments at fair value through profit or loss		**69**	(86)
Loss/(gain) on disposal of items of property, plant and equipment		**(4,284)**	308
Gain on disposal of prepaid land lease payments		**(967)**	–

* At 31 March 2008, there were no forfeited contributions available to the Group to reduce its contributions to the pension schemes in future years (2007: Nil).

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	
	2008	2007
	HK$'000	HK$'000
Fees	**450**	413
Other emoluments:		
Salaries, allowances and benefits in kind	**8,705**	9,890
Discretionary bonuses	**–**	300
Employee share option benefits	**1,112**	–
Pension scheme contributions	**138**	151
	9,955	10,341
	10,405	10,754

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

2008	**Fees**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	HK$'000	HK$'000
Mr. Leung Hon Ming	**150**	**8**	**158**
Mr. Chang Tso Tung, Stephen	**150**	**8**	**158**
Mr. Pravith Vaewhongs	**150**	**–**	**150**
	450	**16**	**466**

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

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2008					
Executive directors:					
Mr. Lau Kwai	**2,359**	**–**	**–**	**–**	**2,359**
Mr. Lau Chung Yim	**2,363**	**–**	**278**	**38**	**2,679**
Mr. Lau Chung Hung	**744**	**–**	**278**	**12**	**1,034**
Mr. Lau Hing Hai	**2,291**	**–**	**278**	**52**	**2,621**
Ms. Lau May Wah	**788**	**–**	**278**	**12**	**1,078**
Mr. Kwok Kwan Hung	**160**	**–**	**–**	**8**	**168**
	8,705	**–**	**1,112**	**122**	**9,939**
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

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 (2007: five) directors, details of whose remuneration are set out in note 8 above.

10. TAX

	Group 2008 HK$'000	Group 2007 HK$'000
Current – Hong Kong:		
Charge for the year	–	–
Current – Mainland China:		
Charge for the year	528	–
Underprovision in the prior year	–	29
Tax charge for the year	528	29

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the year. In prior year, no provision for Hong Kong profits tax had been made as the Group had available tax losses brought forward from the prior years to offset the assessable profits generated in that year. Taxes on profits assessable elsewhere 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.

The corporate income tax ("CIT") payable by a subsidiary operating in Thailand is charged at 30% (2007: 30%) on the income earned from non-promoted activities as defined by the Board of Investment in Thailand (the "Board of Investment"). No provision for CIT in Thailand has been made as the subsidiaries in Thailand have no assessable profits generated during the year. In prior year, no provision for CIT in Thailand had been made as the subsidiaries in Thailand had available tax losses brought forward from the prior years to offset the assessable profits generated in that year.

10. TAX (continued)

A reconciliation of the tax expense 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 – 2008

	Hong Kong		Mainland China		Thailand		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	(1,741)		(86,115)		(3,181)		(91,037)	
Tax at the statutory tax rate	(305)	17.5	(21,529)	25.0	(954)	30.0	(22,788)	25.0
Tax losses not recognised	396		8,776		821		9,993	
Income not subject to tax	(1,520)		–		–		(1,520)	
Expenses not deductible for tax	1,429		13,431		133		14,993	
Tax losses utilised from previous periods	–		(150)		–		(150)	
Tax charge at the Group's effective rate	–		528		–		528	

10. TAX (continued)

Group – 2007

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Thailand HK$'000	%	Total HK$'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	

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated loss attributable to equity holders of the parent for the year ended 31 March 2008 includes a loss of HK$128,050,000 (2007: HK$504,000) which has been dealt with in the financial statements of the Company (note 30(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 number of 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:

	2008 HK$'000	2007 HK$'000
Loss		
Loss attributable to ordinary equity holders of the parent	(91,565)	(36,124)

	Number of shares	
	2008	2007
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	404,721,313	401,838,800
Effect of dilution – weighted average number of ordinary shares:		
Share options	252,811	–
Weighted average number of ordinary shares in issue during the year used in the diluted loss per share calculation	404,974,124	401,838,800

A diluted loss per share amount for the year ended 31 March 2008 has not been disclosed as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year. A diluted loss per share amount for the year ended 31 March 2007 has not been disclosed as no diluting effect existed during that year.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold land and buildings HK$'000	Leasehold improve-ments HK$'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 2008							
At 31 March 2007 and 1 April 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
At 1 April 2007, net of accumulated depreciation	63,748	–	87,075	2,838	893	33,573	188,127
Additions	56	–	5,142	282	–	3,220	8,700
Disposals	(595)	–	(91)	(42)	–	–	(728)
Impairment	–	–	(24,042)	–	–	(23,400)	(47,442)
Depreciation provided during the year	(4,636)	–	(14,051)	(333)	(274)	–	(19,294)
Transfers	–	–	724	–	–	(724)	–
Exchange realignment	4,389	–	8,374	234	37	3,403	16,437
At 31 March 2008, net of accumulated depreciation and impairment	62,962	–	63,131	2,979	656	16,072	145,800
At 31 March 2008:							
Cost	97,321	4,939	296,095	17,599	3,767	39,472	459,193
Accumulated depreciation and impairment	(34,359)	(4,939)	(232,964)	(14,620)	(3,111)	(23,400)	(313,393)
Net carrying amount	62,962	–	63,131	2,979	656	16,072	145,800

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Freehold land and buildings HK$'000	Leasehold improve-ments HK$'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

At the balance sheet date, the cost of the Group's freehold land and buildings situated in Thailand amounted to HK$33,834,000 (2007: HK$33,424,000).

The net book values of plant and machinery held under finance leases at the balance sheet date amounted to HK$5,138,000 (2007: HK$2,633,000).

13. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 March 2008, the Group's freehold land and buildings with an aggregate net book value of HK$40,696,000 (2007: HK$41,937,000) were pledged for banking facilities granted to the Group (note 25(a)).

Included in the Group's property, plant and equipment as at 31 March 2008 were plant and machinery and construction in progress situated in Mainland China, with net carrying amounts of HK$54,305,000 and HK$26,145,000, respectively. In light of the continuing loss-making of certain subsidiaries situated in the Mainland China, an impairment assessment has been performed by the directors of the Company to determine the recoverable amount either from utilisation of these property, plant and equipment or from their fair values less costs to sell. The directors engaged LCH (Asia-Pacific) Surveyors Limited, an independent third party (the "Valuer"), to perform a valuation of these property, plant and equipment in order to provide them with the assessment of the fair values less costs to sell of these property, plant and equipment. Having regard to the future production plan of the Group and the valuation performed by the Valuer, an impairment loss of HK$47,442,000 was made to the carrying amounts of the property, plant and equipment and has been charged to the consolidated income statement for the year ended 31 March 2008. The recoverable amounts of the impaired property, plant and equipment represented the fair values less costs to sell as determined by the directors of the Company.

14. INVESTMENT PROPERTIES

	Group	
	2008	2007
	HK$'000	HK$'000
Carrying amount at 1 April	**21,400**	20,980
Net profit from a fair value adjustment	**600**	420
Transfer to an investment property held for sale	**(14,640)**	–
Carrying amount at 31 March	**7,360**	21,400

The Group's investment property at 31 March 2008 was situated in Hong Kong and was held under a medium term lease.

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 2008.

As at 31 March 2008, the Group's investment property was pledged to a bank for banking facilities granted to the Group (note 25(a)).

14. INVESTMENT PROPERTIES (continued)

Details of the investment property as at 31 March 2008 is as follows:

Location	Use	Gross floor area (sq. ft.)	Percentage of attributable interest of the Group
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	
	2008	2007
	HK$'000	HK$'000
Carrying amount at 1 April	**14,929**	14,446
Additions	**–**	212
Disposals	**(134)**	–
Amortised during the year	**(384)**	(386)
Exchange realignment	**1,444**	657
Carrying amount at 31 March	**15,855**	14,929
Current portion included in other debtors, prepayments and deposits	**(424)**	(401)
Non-current portion	**15,431**	14,528

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:

	2008 HK$'000	2007 HK$'000
At carrying amount:		
Medium term lease situated in Hong Kong	–	136
Medium term leases situated in Mainland China	15,855	14,793
	15,855	14,929

As at 31 March 2008, the Group's leasehold land with an aggregate carrying amount of HK$7,951,000 (2007: HK$7,556,000) was pledged for banking facilities granted to the Group (note 25(a)).

16. INTERESTS IN SUBSIDIARIES

	Company	
	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	63,074	63,074
Amounts due from subsidiaries	188,497	187,077
Amounts due to subsidiaries	(247)	(246)
Capital contribution in respect of employee share-based compensation	1,163	–
	252,487	249,905
Impairment		
– investment cost	(63,074)	(10,371)
– amounts due from subsidiaries	(75,000)	–
	114,413	239,534

In light of the continuing operating loss experienced by the laminate operations of the Group, the directors of the Company have reviewed the carrying value of the interests in subsidiaries of the Company and an impairment of HK$127,703,000 was recognised during the year in respect of its interests in subsidiaries in relation to the Group's laminate operations.

16. INTERESTS IN SUBSIDIARIES (continued)

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.

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
			2008	2007	
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")	HK$93,000,000	**100**	100	Manufacture of laminates
Nam Hing Circuit Board (Dongguan) Co., Ltd.@#^	PRC	HK$38,376,800/ HK$40,000,000	**100**	100	Manufacture of printed circuit boards
Suzhou Nam Hing Industrial Laminate Co., Ltd.@#	PRC	US$6,800,000	**100**	100	Manufacture of laminates

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		Principal activities
			2008	2007	
Zhongshan Chung Yuen Electronic Applied Materials Company Limited@#	PRC	HK$2,000,000	**100**	100	Manufacture of laminates
Zhuhai Nam Hing Long Electronics Company Limited@#^^	PRC	HK$9,816,000/ HK$35,000,000	**100**	100	Not yet commenced business
恒然桐油(和平)有限公司@#^^^	PRC	HK$320,000/ HK$1,000,000	**100**	100	Not yet commenced business

\# Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

* 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 1997. 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 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 table 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

	Group	
	2008	2007
	HK$'000	HK$'000
Trade debtors	**97,549**	132,051
Impairment	**(30,255)**	(22,836)
	67,294	109,215

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit terms given to its customers vary, which generally range from 30 to 120 days, and are granted based on the financial status of the individual customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade debtors are non-interest-bearing.

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	
	2008	2007
	HK$'000	HK$'000
Within 3 months	**42,792**	72,111
4 to 6 months	**19,476**	33,272
Over 6 months	**5,026**	3,832
	67,294	109,215

The movements in provision for impairment of trade debtors are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**22,836**	22,571
Impairment losses recognised (note 7)	**7,481**	814
Impairment losses reversed (note 7)	**(219)**	(549)
Exchange realignment	**157**	–
	30,255	22,836

17. TRADE DEBTORS (continued)

Included in the above provision for impairment of trade debtors is a provision for individually impaired trade debtors. The individually impaired trade debtors relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**30,673**	58,119
Less than 3 month past due	**29,281**	47,067
4 to 6 months past due	**6,912**	3,327
Over 6 months past due	**428**	702
	67,294	109,215

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

At 31 March 2008, the Group's trade debtors of approximately HK$40,031,000 (2007: HK$65,148,000) 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$27,134,000 (2007: HK$49,257,000) 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 25).

18. OTHER DEBTORS, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other debtors	**1,447**	1,012	**–**	-
Prepayments	**4,273**	5,976	**177**	176
Deposits	**308**	303	**–**	-
	6,028	7,291	**177**	176

19. INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	**19,022**	30,966
Work in progress	**8,544**	11,051
Finished goods	**16,846**	19,743
	44,412	61,760

20. INVESTMENT PROPERTY HELD FOR SALE

	Group	
	2008	2007
	HK$'000	HK$'000
Carrying amount at 1 April	**–**	–
Transfer from an investment property	**14,640**	–
Carrying amount at 31 March	**14,640**	–

The Group's investment property held for sale at 31 March 2008 was situated in Hong Kong and was held under a medium term lease.

As at 31 March 2008, the Group's investment property was pledged to a bank for banking facilities granted to the Group (note 25(a)).

20. INVESTMENT PROPERTY HELD FOR SALE (continued)

Details of the investment property held for sale are as follows:

Location	Use	Site area/ gross floor area (sq. feet)	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	78,400/46,505	100

21. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK$'000	HK$'000
Listed equity investment in Hong Kong, at market value	**404**	190
Unlisted investments, at fair value	**3,241**	3,149
	3,645	3,339

As at 31 March 2008, the Group's investments at fair value through profit or loss amounting to HK$3,645,000 (2007: HK$3,149,000) were pledged to banks for banking facilities granted to the Group (note 25(a)).

22. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

		Group		Company	
		2008	2007	**2008**	2007
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**2,537**	3,944	**5**	6
Time deposits		**12,579**	9,535	**–**	–
		15,116	13,479	**5**	6
Less: Pledged time deposits for short term bank borrowings	25(a)	**(12,579)**	(9,535)	**–**	–
Cash and bank balances		**2,537**	3,944	**5**	6

22. CASH AND BANK BALANCES AND PLEDGED DEPOSITS (continued)

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$1,654,000 (2007: HK$718,000). 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 bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances and the pledged deposits approximate to their fair values.

23. TRADE CREDITORS

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

	Group	
	2008	2007
	HK$'000	HK$'000
Within 3 months	**27,748**	51,123
4 to 6 months	**17,647**	15,367
Over 6 months	**15,762**	4,442
	61,157	70,932

The trade creditors are non-interest-bearing and are normally settled on terms varying from 30 to 90 days.

24. OTHER CREDITORS AND ACCRUALS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other creditors	**11,172**	11,827	**200**	181
Accruals	**9,112**	7,476	**–**	13
	20,284	19,303	**200**	194

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

25. BANK AND OTHER BORROWINGS

	2008			2007		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Finance lease payables (note 26)	3.25 – 7.9	2009	823	3 – 4.75	2008	608
Bank overdrafts – secured	6.5 – 7.79	2009	3,809	7.82 – 8.25	2008	12,833
Bank loans – secured	5.38 – 7.79	2009	23,751	5.75 – 7.65	2008	18,454
Trust receipt loans – secured	5.5 – 7.79	2009	24,660	7.82 – 10.75	2008	45,884
Loans from directors – unsecured	Nil – 5.25	2009	19,719	Nil – 5.45	2008	11,236
Loan from a related company – unsecured	7.79	2009	1,200	N/A	N/A	–
Advances from banks as consideration for the factored receivables (note 17)	8 – 9	2009	27,134	7.75 – 9	2008	49,257
			101,096			138,272

	2008			2007		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Non-current						
Finance lease payables (note 26)	3.25 – 7.9	2010-2011	897	N/A	N/A	–
Bank loans – secured	5.38 – 7.79	2010-2013	13,790	6.25 – 6.5	2009-2011	4,182
Loan from a related company – unsecured	7.79	2010	1,000	N/A	N/A	–
Loans from directors – unsecured	3.45	2010-2020	6,860	5.45	2009-2010	3,466
			22,547			7,648
			123,643			145,920

25. BANK AND OTHER BORROWINGS (continued)

	Group	
	2008	2007
	HK$'000	HK$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**79,354**	126,428
In the second year	**4,055**	1,532
In the third to fifth years, inclusive	**9,735**	2,650
	93,144	130,610
Other borrowings repayable:		
Within one year	**21,742**	11,844
In the second year	**2,446**	2,894
In the third to fifth years, inclusive	**2,008**	572
Beyond five years	**4,303**	–
	30,499	15,310
	123,643	145,920

(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$40,696,000 (2007: HK$41,937,000) (note 13);

(ii) the Group's prepaid land lease payments with an aggregate carrying value at the balance sheet date of approximately HK$7,951,000 (2007: HK$7,556,000) (note 15);

(iii) the Group's investment property of HK$7,360,000 (2007: HK$21,400,000) (note 14);

(iv) the Group's investment property held for sale of HK$14,640,000 (2007: Nil) (note 20);

(v) the Group's investments amounting to HK$3,645,000 (2007: HK$3,149,000) (note 21); and

(vi) the Group's fixed deposits amounting to HK$12,579,000 (2007: HK$9,535,000) (note 22).

25. 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 aggregating to HK$10,225,000 (2007: HK$10,860,000) and HK$13,336,000 (2007: HK$12,133,000) which are denominated in Thai Baht and Renminbi, respectively, all borrowings are in Hong Kong dollars.

(d) Loans from directors of HK$9,263,000 (2007: HK$9,197,000) are unsecured, interest-free and have no fixed terms of repayment. The remaining loans from directors of HK$17,316,000 (2007: HK$5,505,000) are unsecured, bear interest at rates ranging from 2.37% to 5.25% per annum and with original maturities ranging from 6 months to 15 years with the last instalments due in July 2008, November 2008, March 2018 and May 2020.

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

(e) The loan from a related company is unsecured and repayable by 32 monthly instalments of HK$100,000 each which bears interest at the Hong Kong dollar prime rate. The carrying amount of this loan approximates to its fair value.

(f) As at 31 March 2008, 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 three banks. The bank borrowings with these three banks of approximately HK$29,724,000, HK$3,786,000 and HK$18,072,000 were recorded as current liabilities as at 31 March 2008.

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.

26. 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 ranging from two to three years.

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 2008 HK$'000	Minimum lease payments 2007 HK$'000	Present value of minimum lease payments 2008 HK$'000	Present value of minimum lease payments 2007 HK$'000
Amounts payable:				
Within one year	902	617	823	608
In the second year	859	–	832	–
In the third to fifth years, inclusive	66	–	65	–
Total minimum finance lease payments	1,827	617	1,720	608
Future finance charges	(107)	(9)		
Total net finance lease payables	1,720	608		
Portion classified as current liabilities (note 25)	(823)	(608)		
Long term portion (note 25)	897	–		

27. 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	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Depreciation allowances less than/ (in excess of) related depreciation	**(463)**	(402)	**–**	–
Tax losses	**29,793**	24,197	**223**	167
	29,330	23,795	**223**	167

The Group has tax losses arising in Hong Kong of HK$93,505,000 (2007: HK$91,464,000) 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$21,150,000 (2007: HK$18,219,000) and in Mainland China of HK$23,730,000 (2007: HK$10,746,000) 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.

28. SHARE CAPITAL

Shares

	Company	
	2008	2007
	HK$'000	HK$'000
Authorised:		
500,000,000 ordinary shares of HK$0.10 each	**50,000**	50,000
Issued and fully paid:		
409,838,800 (2007: 401,838,800) ordinary shares of HK$0.10 each	**40,984**	40,184

28. SHARE CAPITAL (continued)

During the year, the movements in share capital were due to the issuance of 8,000,000 ordinary shares of HK$0.10 each at a subscription price of HK$0.22 per share pursuant to the exercise of the Company's share options for a total cash consideration of HK$1,760,000.

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 31 March 2007 and 1 April 2007	401,838,800	40,184	124,711	164,895
Share options exercised	8,000,000	800	1,516	2,316
At 31 March 2008	409,838,800	40,984	126,227	167,211

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 29 to the financial statements.

29. 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").

29. SHARE OPTION SCHEME (continued)

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 approximately 10% of the issued share capital.
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.

29. SHARE OPTION SCHEME (continued)

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.
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.

29. SHARE OPTION SCHEME (continued)

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.

The following share options were outstanding under the Scheme during the year:

	2008		2007	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 April	**0.18**	**1,590**	0.18	1,590
Granted during the year	**0.22**	**17,600**	–	–
Forfeited during the year	**0.22**	**(400)**	–	–
Exercised during the year	**0.22**	**(8,000)**	–	–
Expired during the year	**0.18**	**(1,590)**	–	–
At 31 March	**0.22**	**9,200**	0.18	1,590

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.27 (2007: Nil).

29. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at that balance sheet date are as follows:

2008

Number of options '000	Exercise price* HK$ per share	Exercise period
8,000	**0.22**	**23 October 2007 to 22 October 2009**
1,200	**0.22**	**23 August 2008 to 22 August 2010**
9,200		

2007

Number of options '000	Exercise price* HK$ per share	Exercise period
530	0.18	21 May 2004 to 20 May 2007
530	0.18	21 January 2005 to 20 May 2007
530	0.18	21 September 2005 to 20 May 2007
1,590		

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

29. SHARE OPTION SCHEME (continued)

The fair value of the share options granted during the year was HK$1,223,000 (HK$0.0695 each) of which the Group recognised a share option expense of HK$1,163,000 during the year ended 31 March 2008.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2008
Dividend yield (%)	–
Expected volatility (%)	51.00
Risk-free interest rate (%)	4.75
Expected life of options (year)	2.00
Weighted average share price (HK$)	0.22

No other feature of the options granted was incorporated into the measurement of fair value.

The 8,000,000 share options exercised during the year resulted in the issue of 8,000,000 ordinary shares of the Company and new share capital of HK$800,000 and share premium of HK$1,516,000, as further detailed in note 28 to the financial statements.

At the balance sheet date, the Company had 9,200,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 9,200,000 additional ordinary shares of the Company and additional share capital of HK$920,000 and share premium of HK$1,743,000.

At the date of approval of these financial statements, the Company had 9,200,000 share options outstanding under the Scheme, which represented approximately 2.2% of the Company's shares in issue as at that date.

30. 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 41 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	Share option reserve	Capital redemption reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 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
Issue of shares	1,516	–	(556)	–	–	960
Equity-settled share option arrangements	–	–	1,163	–	–	1,163
Loss for the year	–	–	–	–	(128,050)	(128,050)
At 31 March 2008	**126,227**	**62,604**	**607**	**464**	**(116,491)**	**73,411**

30. RESERVES (continued)

(b) Company (continued)

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.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share based payment transactions in note 2.5 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Notes	2008 HK$'000	2007 HK$'000
Loss before tax		**(91,037)**	(36,095)
Adjustments for:			
Finance costs	6	**10,004**	8,543
Bank interest income	5	**(494)**	(367)
Loss/(gain) on disposal of items of property, plant and equipment	5, 7	**(4,284)**	308
Gain on disposal of prepaid land lease payments	5, 7	**(967)**	–
Impairment of items of property, plant and equipment	7	**47,442**	–
Impairment of trademark	7	**2,329**	–
Depreciation	7	**19,294**	17,206
Amortisation on prepaid land lease payments	7	**384**	386
Changes in fair value of investment properties	5, 7	**(600)**	(420)
Fair value change in investments at fair value through profit or loss	7	**69**	(86)
Equity-settled share option expense	7, 29	**1,163**	–
		(16,697)	(10,525)
Decrease/(increase) in trade debtors		**41,921**	(13,949)
Decrease/(increase) in other debtors, prepayments and deposits		**1,286**	(2,973)
Decrease/(increase) in inventories		**17,348**	(10,266)
Increase/(decrease) in trade creditors		**(9,775)**	23,767
Decrease in bills payable		**(1,034)**	(513)
Increase in other creditors and accruals		**981**	7,395
Exchange adjustments		**2,410**	8,501
Cash generated from operations		**36,440**	1,437
Hong Kong profits tax refunded		**–**	196
PRC taxes refunded/(paid)		**(535)**	55
Net cash inflow from operating activities		**35,905**	1,688

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

(b) Major non-cash transactions

During the year, 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$2,467,000 (2007: Nil).

32. CONTINGENT LIABILITIES

At 31 March 2008, the Company had guarantees given to banks in connection with facilities granted to its subsidiaries to the extent of approximately HK$130,278,000 (2007: HK$152,513,000), of which HK$93,144,000 (2007: HK$130,610,000) had been utilised at the balance sheet date.

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property (note 14) and sub-leases certain of its office properties under operating lease arrangements, with the leases negotiated for terms ranging from two to three years. The terms of the leases also require the tenants to pay security deposits.

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

	2008 HK$'000	2007 HK$'000
Within one year	268	216
In the second to fifth years, inclusive	437	198
	705	414

33. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its office properties under an operating lease arrangement, with the lease negotiated for a term of one and a half years.

At 31 March 2008, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	2008	2007
	HK$'000	HK$'000
Within one year	**300**	–

34. COMMITMENTS

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

	Group	
	2008	2007
	HK$'000	HK$'000
Contracted, but not provided for in respect of purchases of items of property, plant and equipment	**2,951**	2,238

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$24,487,000 (2007: HK$33,982,000) at the balance sheet date.

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

35. 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	
		2008	2007
	Notes	**HK$'000**	HK$'000
Interest expense paid to directors	(i)	**246**	235
Interest expense paid to a related company	(ii)	**169**	–
Rental expense paid to directors	(iii)	**195**	–
Rental income received from a related company	(iii)	**60**	20

Notes:

(i) 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 25 to the financial statements.

(ii) The interest expense paid to a related company, in which a director of the Group has a beneficial interest, arose from the loan advanced from the related company during the year. Further details of the loan are disclosed in note 25 to the financial statements.

(iii) The rental expense paid to directors and rental income received from a related company, in which a director of the Group has a beneficial interest, were in accordance with the terms stipulated in the rental agreements.

(b) Outstanding balances with related parties:

(i) Details of the Group's loans from directors as at the balance sheet date are disclosed in note 25 to the financial statements.

(ii) Details of the Group's loan from a related company, in which a director of the Group has a beneficial interest, as at the balance sheet date are disclosed in note 25 to the financial statements.

35. RELATED PARTY TRANSACTIONS (continued)

(c) Other transaction with related parties:

During the year, the Group disposed of certain of its land and buildings situated in Hong Kong amounting to HK$134,000 and HK$595,000, respectively, to certain directors of the Group for a cash consideration of HK$5,980,000.

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

	2008 HK$'000	2007 HK$'000
Short term employee benefits	9,647	10,670
Post-employment benefits	150	152
Share-based payments	1,112	–
Total compensation paid to key management personnel	10,909	10,822

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

The related party transactions in respect of items (a), (b) and (c) above also constitute connected transactions as defined in chapter 14A of the Listing Rules.

36. 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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) 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.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings) and the Group's equity. The increase or decrease in the following table represents management assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

Group

	Increase in basis point	Increase/ (decrease) in loss before tax	Increase/ (decrease) in equity
		HK$'000	HK$'000
2008			
HK$	**25**	**225**	**(186)**
Renminbi ("RMB")	**200**	**267**	**(200)**
Thai Baht ("Baht")	**25**	**26**	**(18)**
2007			
HK$	25	298	(246)
RMB	200	243	(163)
Baht	25	27	(19)

36. 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$"), Baht, RMB and HK$. 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.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the US$, Baht, and RMB exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the translation of foreign operations).

	Increase/ (decrease) in foreign exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	HK$'000	HK$'000
2008			
If HK$ weakens against US$	**1**	**50**	**–**
If HK$ strengthens against US$	**(1)**	**(50)**	**–**
If HK$ weakens against Baht	**16**	**11,099**	**4,420**
If HK$ strengthens against Baht	**(16)**	**(11,099)**	**(4,420)**
If HK$ weakens against RMB	**10**	**2,012**	**18,880**
If HK$ weakens against RMB	**5**	**1,006**	**9,440**
2007			
If HK$ weakens against US$	1	80	–
If HK$ strengthens against US$	(1)	(80)	–
If HK$ weakens against Baht	16	14,411	4,866
If HK$ strengthens against Baht	(16)	(14,411)	(4,866)
If HK$ weakens against RMB	10	2,181	19,578
If HK$ weakens against RMB	5	1,091	9,789

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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 manages the credit risk by setting up a team responsible for the determination of credit terms, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debt. In addition, it is the Group's policy to review regularly the recoverable amount of trade debtors to ensure that adequate impairment provisions are made against the irrecoverable amounts. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade debtors are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade debtors are disclosed in note 17 to the financial statements.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group

	2008			
	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Finance lease payables	902	925	–	1,827
Bank borrowings	84,049	16,021	3,656	103,726
Trade and bills payables	61,604	–	–	61,604
Other creditors and accruals	20,284	–	–	20,284
Loans from directors	19,952	3,151	5,011	28,114
Loan from a related company	1,291	1,025	–	2,316
	188,082	21,122	8,667	217,871

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk (continued)

Group

	2007			
	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Finance lease payables	617	–	–	617
Bank borrowings	133,674	4,251	–	137,925
Trade and bills payables	72,413	–	–	72,413
Other creditors and accruals	19,303	–	–	19,303
Loans from directors	11,475	1,562	3,188	16,225
	237,482	5,813	3,188	246,483

(e) Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 March 2008 and 31 March 2007.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. The Group's policy is to maintain the gearing ratio not exceeding 70%. Net debt includes bank and other borrowings, trade, bills and other payables, accruals, less cash and bank balances. Capital includes equity attributable to equity holders of the parent. The gearing ratios as at the balance sheet dates were as follows:

Group

	2008 HK$'000	2007 HK$'000
Bank and other borrowings	123,643	145,920
Trade creditors	61,157	70,932
Bills payable	447	1,481
Other creditors and accruals	20,284	19,303
Less: Cash and bank balances	(2,537)	(3,944)
Net debt	202,994	233,692
Equity attributable to equity holders of the parent	114,379	183,992
Capital and net debt	317,373	417,684
Gearing ratio	64%	56%

37. POST BALANCE SHEET EVENTS

(a) Subsequent to the balance sheet date, on 27 May 2008, the directors of the Company confirmed that the controlling shareholder of the Company was conducting a preliminary negotiation regarding disposal of their shares to an independent third party. The possible disposal of their shares, if materialised, will constitute a possible change in the controlling shareholder of the Company. For details, please refer to the announcements issued by the Company dated 27 May 2008 and 15 July 2008.

(b) On 24 July 2008, the Group entered into a provisional sale and purchase agreement with a third party to dispose of an investment property situated in Hong Kong for a cash consideration of HK$23,854,000. This transaction is scheduled to be completed on or before 10 September 2008 and is expected to result in a gain on disposal before taxation of HK$9,214,000.

38. COMPARATIVE AMOUNTS

As further explained in note 2.3 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 July 2008.