

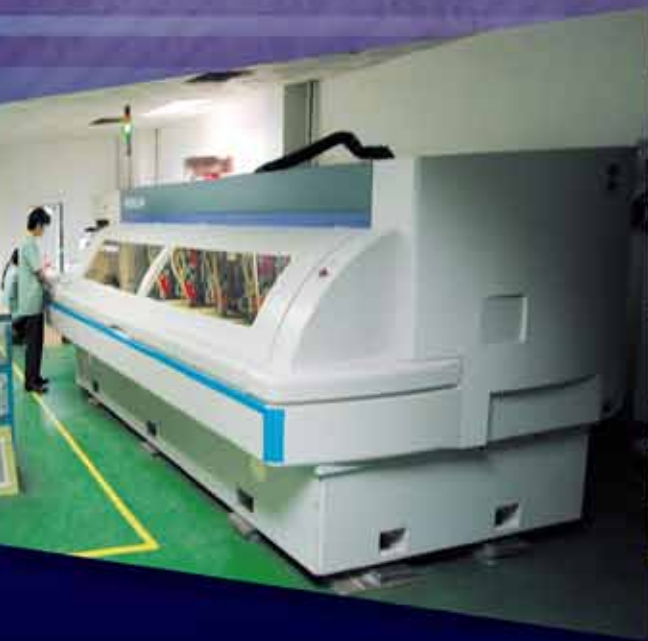


# NAM HING HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 986)

## Annual Report 2009



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# 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. Leung Hon Ming\*  
Mr. Pravith Vaewhongs\*  
Mr. Yau Kwan Shan\*

\* *Independent Non-executive Directors*

## Company Secretary and Qualified Accountant

Mr. Chan Kwok Choi, Stanley

## Audit Committee

Mr. Yau Kwan Shan (*Chairman*)  
Mr. Leung Hon Ming  
Mr. Pravith Vaewhongs

## Remuneration Committee

Mr. Lau Chung Yim (*Chairman*)  
Mr. Leung Hon Ming  
Mr. Pravith Vaewhongs

## Auditors

Shinewing (HK) CPA Limited  
Certified Public Accountants  
16th Floor  
United Centre  
95 Queensway  
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  
Pembroke HM08  
Bermuda

## Hong Kong Branch Share Registrar and Transfer Office

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

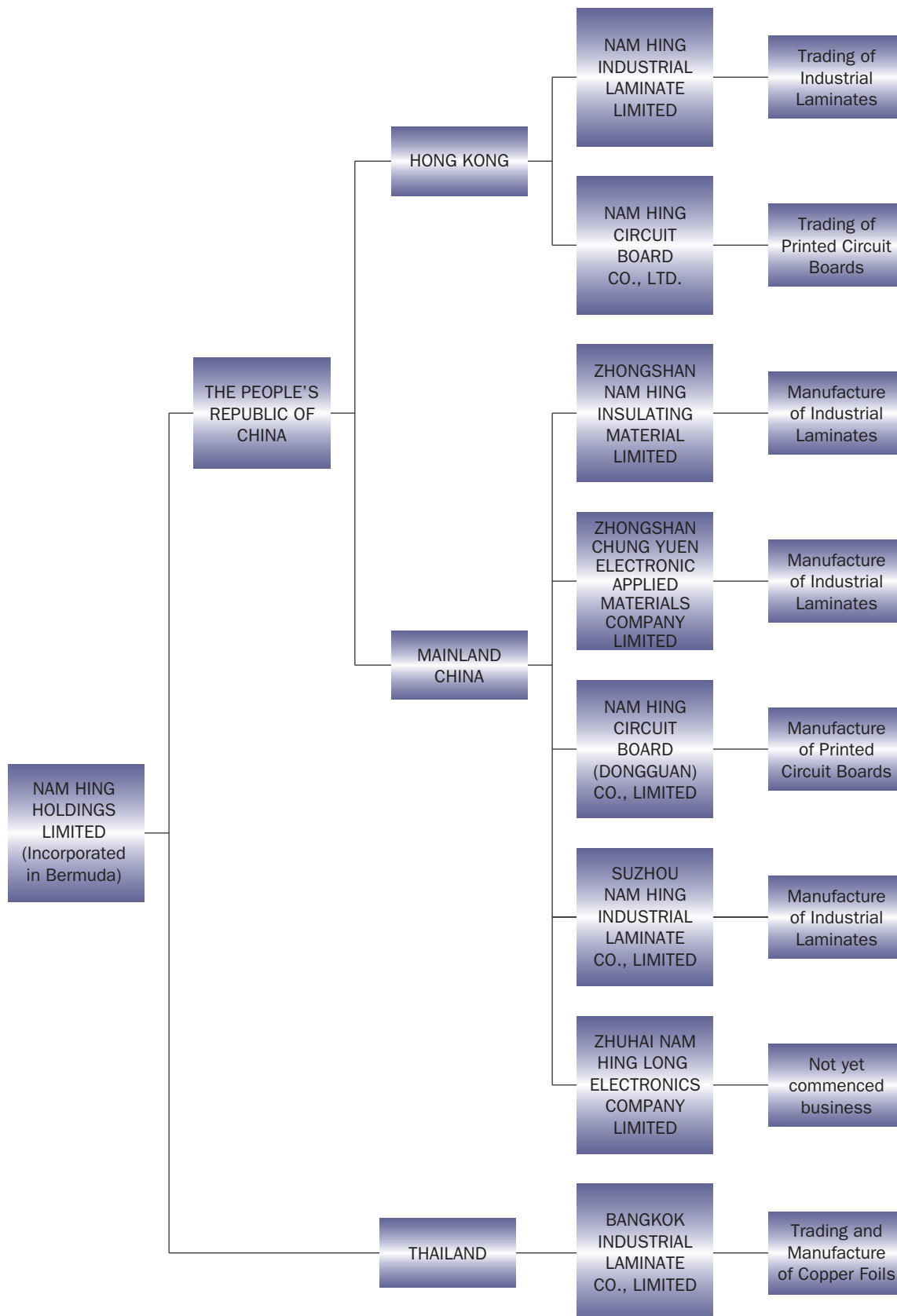
## Website

<http://www.namhingholdings.com>

## Stock Code

986

# Corporate Structure



# 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 2009.

## BUSINESS REVIEW AND PROSPECTS

Consolidated turnover of the Group for the year ended 31 March 2009 was HK\$129,394,000, representing a 57% decline as compared with HK\$302,813,000 of the previous year. Operating loss of the Group decreased from HK\$91,565,000 to HK\$82,405,000, in which HK\$52 million loss incurred represented an exceptional loss from impairment of certain plant and machinery (2008: HK\$47 million).

The operating loss arose mainly from the unfavourable operating environment for the whole Group, in particular for the laminate division. Decrease in market demand and increase in raw material costs arising from the global economic downturn during the year impose great pressure on the Group's operations. The Group has introduced a number of measures to minimize operating costs while maintaining an adequate production level.

Industrial Laminate Plant in Suzhou, the PRC



### Industrial Laminate Division

During the year under review, the industrial laminate business achieved a turnover of HK\$55,031,000 (2008: HK\$198,273,000), representing approximately 43% of the Group's total turnover and a decrease of 72% as compared with the turnover of the previous year.

The industrial laminate division continued to sustain loss due to the substantial impairment of plant and machinery and the unfavourable economic conditions arising from the financial tsunami. Sales orders for the year significantly decreased owing to the decrease in overall market demand and the careful selection of sales orders to minimize the possibility of doubtful debts.

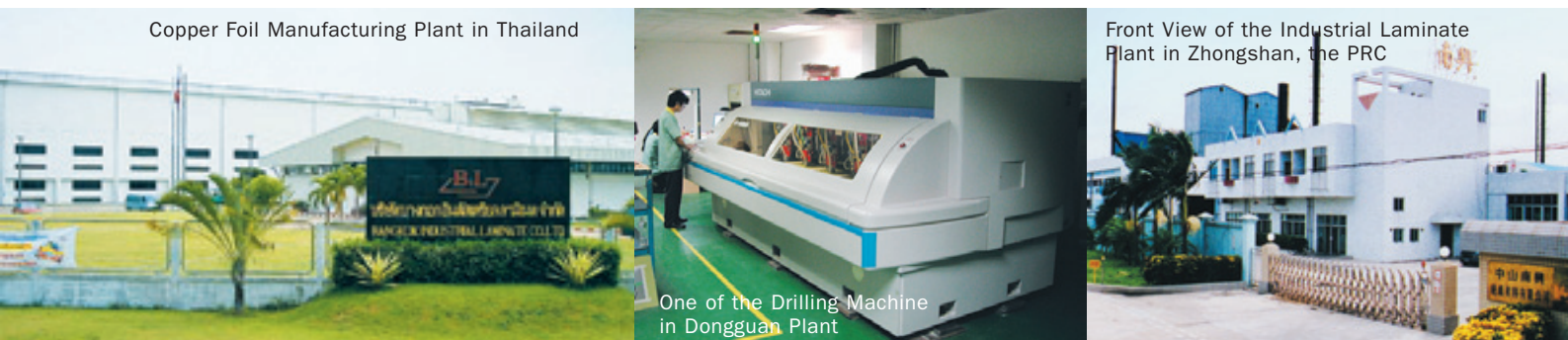
The industrial laminate operation in Suzhou, Mainland China in the year under review has remained idle as the management considers it unprofitable to re-start the production plant at this point in time. Maintenance cost incurred in the Suzhou plant has been reduced to the minimum. The management is seriously considering the possibility of realisation of the Suzhou plant to reduce the Group's burden.

## Chairman's Statement

The Group has introduced a number of cost saving measures to deal with the unfavourable economic conditions. These measures include the reduction of labour costs by streamlining the production headcount, more efficient use of available resources, and careful procurement of raw materials. In addition, the Group will focus its marketing efforts on customers with prompt repayment history and shorten credit terms to improve cash flow. The Group will also focus greater attention on the overseas markets, the market demand of which is likely to be more promising.

### Printed Circuit Board (PCB) Division

For the year ended 31 March 2009, the PCB division recorded a turnover of HK\$72,899,000 (2008: HK\$101,854,000), which accounted for approximately 56% of the Group's total turnover and represented a decrease of 28% as compared with the turnover of the previous year. Decrease in turnover was attributable to decrease in market demand in the PCB market. This is a prevalent phenomenon in the global economy since the financial tsunami.



Nevertheless, the business remained steady and the Group considers the PCB business to be its main focus in the coming years. The Group will put more emphasis on exploring more customers, in particular those overseas, in order to maintain the business level.

The plant in Zuhai, Mainland China has not yet commenced operation as the management considers it unprofitable to put the plant into operation at this point in time given the limited financial resources available to the Group.

### Copper Foil Division

For the year ended 31 March 2009, the copper foil plant in Thailand recorded an operating loss of approximately HK\$20,320,000 due to the sustained high prices of copper and other production materials. As copper prices have been unsteadily fluctuating in the current year, the management has been very cautious in the procurement of copper to minimize the adverse effect. On the other hand, an impairment of approximately HK\$10 million was made on certain idle equipment. These assets are expected not to be used in the coming years having considered the current market demand.

### Outlook

The continuing unfavourable operating environment arising from the recent financial tsunami has exerted great pressure on the operation of industrial businesses. Recovery of the economy is expected not in a short period of time. The Group has experienced tight profit margin in the past year in the laminate division and considered unfavourable operating environment will continue for a certain period of time.

The unfavourable operating results in turn exerted significant pressure on the Group's cashflow position. In the coming years, the Group will implement a series of measures to improve the situation. Such measures include a more conservative approach in the procurement of resources to reduce operating costs and the disposal of certain non-production facilities, properties and assets.

### 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 2009, the Group's total cash and bank balances and pledged fixed deposits amounted to HK\$20,276,000 (2008: HK\$15,116,000). The total interest-bearing bank loans and other borrowings decreased from HK\$121,923,000 as at 31 March 2008 to HK\$81,622,000 as at 31 March 2009. The Group's gearing ratio, which is net debt divided by total shareholders' equity plus net debt, increased from 0.64 as at 31 March 2008 to 0.82 as at 31 March 2009. Net debt included bank and other borrowings, trade, bills and other payables and accruals, less cash and bank balances. As at 31 March 2009, the Group had a current ratio of 0.59 (2008: 0.77) and net current liabilities of HK\$47,061,000 (2008: HK\$45,455,000).

The overall financial position of the Group as at 31 March 2009 is less favourable as compared with that of the last year. Although concerted efforts have been made to reduce the bank borrowing level, the management considers 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 operations.

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

	<b>As at 31 March</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Repayable within one year	<b>59,000</b>	114,063
Repayable in the second year	<b>5,401</b>	1,614
Repayable in the third to fifth years, inclusive	<b>13,201</b>	1,943
Repayable beyond five years	<b>4,020</b>	4,303
	<hr/>	<hr/>
	<b>81,622</b>	121,923
	<hr/>	<hr/>

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 Thai Baht and RMB, the Group is expected to experience pressure on its operating costs.

## **PLEDGE OF ASSETS**

As at 31 March 2009, the Group's assets pledged as security for banking facilities amounted to approximately HK\$93,401,000 (2008: HK\$87,661,000).

## **EMPLOYMENT, TRAINING AND REMUNERATION POLICY**

During the year under review, the Group continued to reduce the size of its workforce and strengthen staff quality through staff development and training programmes. The Group had approximately 519 employees as at 31 March 2009 (2008: 915). Remunerations are commensurate with the nature of job, 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.

## **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, 26 August 2009



# Corporate Governance Report

The board of directors of the Company (the “Board”) is pleased to present this Corporate Governance Report in the Company’s annual report for the year ended 31 March 2009.

## **CORPORATE GOVERNANCE PRACTICES OF THE COMPANY**

The Company recognizes the importance of maintaining sound 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 the code provisions set out in the CG Code for the year ended 31 March 2009. Key corporate governance principles and practices of the Company are summarized as follows:

### **A. THE BOARD**

#### **A.1 Responsibilities and Delegation**

The Board is responsible for the leadership, control and management of the Company and oversees the Group’s business, strategic decision and performances. All the directors carry out their duties in good faith and in compliance with applicable laws and regulations, acting in the interests of the Group.

All directors have access to all relevant information as well as the advice and services of the Company Secretary and senior management. Any director may request for independent professional advice in appropriate circumstances at the Company’s expense, upon reasonable request made to the Board.

The Board reserves for its decision on 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 that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The Executive Committee and the senior management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board has the full support of the senior management to discharge its responsibilities.

## A. THE BOARD (continued)

### 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. Leung Hon Ming (*Member of both the Audit Committee and the Remuneration Committee*)

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

Mr. Yau Kwan Shan (*Chairman of the Audit Committee*)

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 the “Report of the Directors” of this annual report.

Rules 3.10(1) and 3.10(2) of the Listing Rules require that every listed issuer must have a minimum of three independent non-executive directors and at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise. Rule 3.21 of the Listing Rules requires that the audit committee of every listed issuer must comprise a minimum of three members who should all be non-executive directors with a majority thereof being independent non-executive directors and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

## A. THE BOARD (continued)

### A.2 Board Composition (continued)

The Company has not complied with the foregoing requirements for a period of approximately 3 months from 31 August 2008 to 29 November 2008 due to the resignation of Mr. Chang Tso Tung, Stephen, the then independent non-executive director and chairman of the Audit Committee of the Company who possesses appropriate professional qualifications and accounting and related financial management expertise, with effect from 31 August 2008. After the resignation of Mr. Chang Tso Tung, Stephen, there were left with two independent non-executive directors and two members in the Audit Committee of the Company, namely Mr. Leung Hon Ming and Mr. Pravith Vaewhongs. The Company has subsequently fully complied with the aforesaid Listing Rules upon its appointment of Mr. Yau Kwan Shan, who has appropriate professional qualifications and accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules, as an independent non-executive director and chairman of the Audit Committee of the Company on 30 November 2008. Details of the abovementioned changes were set out in the Company's announcements dated 1 September 2008 and 1 December 2008.

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 annual written confirmations from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

### A.3 Chairman and Chief Executive Officer

The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals and have been clearly defined in writing to ensure a balance of power and authority, so that power is not concentrated in any one individual. Currently, the Chairman of the Board is Mr. Lau Kwai, who provides leadership for the Board and is also responsible for managing the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner whereas the Chief Executive Officer is Mr. Lau Chung Yim, who is responsible for running the Company's businesses and implementing the Group's strategic plans and business goals.

## 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 agreement with the Company and their current term of office is one year from 1 January 2009. The term of office of the two independent non-executive directors, namely Mr. Leung Hon Ming and Mr. Pravith Vaewhongs, is 1 year while the term of office of the other independent non-executive director, Mr. Yau Kwan Shan, is 2 years.

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 "Directors 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.

Besides, 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.

Pursuant to the aforesaid provisions of the Bye-laws, Mr. Yau Kwan Shan, having been appointed as an independent non-executive director of the Company during the year ended 31 March 2009, shall retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company. In addition, Mr. Lau Chung Hung, Ms. Lau May Wah and Mr. Leung Hon Ming shall retire by rotation and, being eligible, offer themselves for re-election at the said annual general meeting. The Board recommended the re-appointment of these four retiring directors standing for re-election at the forthcoming annual general meeting. The Company's circular, sent together with this annual report, contains detailed information of the above four directors.

## A. THE BOARD (continued)

### A.4 Appointment and Re-election of Directors (continued)

During the year ended 31 March 2009, the Board, through its meeting held on 16 April 2008 and 25 July 2008 (with all the then directors of the Company present at such meetings) and written resolutions passed on 30 August 2008 and 28 November 2008, performed the following works:

1. acceptance of the resignation of Mr. Kwok Kwan Hung as an executive director of the Company;
2. review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group; recommendation of the re-election of the retiring directors standing for re-election at the 2008 annual general meeting of the Company; and assessment of the independence of all the Company's independent non-executive directors;
3. acceptance of the resignation of Mr. Chang Tso Tung, Stephen as an independent non-executive director, the chairman of the Audit Committee and the member of the Remuneration Committee of the Company, and the appointment Mr. Pravith Vaewhongs as a member of the Remuneration Committee of the Company; and
4. appointment of Mr. Yau Kwan Shan as an independent non-executive director and the chairman of the Audit Committee of the Company.

### 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 ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is 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. As recommended by the Hong Kong Companies Registry, the "Non-statutory Guidelines on Directors' Duties" published by the Registry has been given to the Company's directors to provide them with more information on 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. THE BOARD (continued)

### 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, complete and reliable information are usually sent to the directors at least 3 days before each Board meeting to keep the directors apprised of the latest 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.

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. THE BOARD** (continued)**A.6 Board Meetings** (continued)**A.6.2 Directors' Attendance Records in Board Meetings**

The Board has met regularly with a total of 4 Board meetings held during the year ended 31 March 2009 at approximately quarterly intervals for reviewing and discussing on the financial and operating performance of the Group and other related matters. The attendance records of each director at the Board meetings are set out below:

<b>Name of Director</b>	<b>Attendance/Number of Board Meetings</b>
<i>Executive directors</i>	
Mr. Lau Kwai	3/4
Mr. Lau Chung Yim	4/4
Mr. Lau Chung Hung	4/4
Mr. Lau Hing Hai	4/4
Ms. Lau May Wah	4/4
Mr. Kwok Kwan Hung (Note 1)	–
<i>Independent non-executive directors</i>	
Mr. Chang Tso Tung, Stephen (Note 2)	1/1
Mr. Leung Hon Ming	4/4
Mr. Pravith Vaewhongs	3/4
Mr. Yau Kwan Shan (Note 3)	2/2

## Notes:

1. Mr. Kwok Kwan Hung resigned as an executive director of the Company with effect from 17 April 2008. Before his resignation, there was no Board meeting held during the year ended 31 March 2009.
2. Mr. Chang Tso Tung, Stephen resigned as an independent non-executive director of the Company with effect from 31 August 2008. Before his resignation, there was one Board meeting held during the year ended 31 March 2009.
3. Mr. Yau Kwan Shan was appointed as an independent non-executive director of the Company with effect from 30 November 2008. Subsequent to his appointment, there were a total of two Board meetings held during the year ended 31 March 2009.

## 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 2009.

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

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](http://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. BOARD COMMITTEES** (continued)

### **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. Leung Hon Ming and Mr. Pravith Vaewhongs. Accordingly, a majority of the members are independent non-executive directors. The chairman of the Remuneration Committee is Mr. Lau Chung Yim.

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 transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

During the year ended 31 March 2009, the Remuneration Committee has met once with all the then committee members (i.e. Mr. Lau Chung Yim, Mr. Leung Hon Ming and Mr. Chang Tso Tung, Stephen) present at the meeting. The members in that meeting have reviewed the 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 2009 are set out in note 12 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. Yau Kwan Shan, Mr. Leung Hon Ming and Mr. Pravith Vaewhongs. The chairman of the Audit Committee is Mr. Yau Kwan Shan 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 auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor 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 2009, the Audit Committee has met twice and performed the following major works:

- Review and discussion of the annual financial statements, results announcement and report for the year ended 31 March 2008, the related accounting principles and practices adopted by the Group and the relevant audit findings;
- Review and discussion of the internal control system of the Group;
- Discussion and recommendation of the re-appointment of the external auditors; and
- Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 September 2008 and the related accounting principles and practices adopted by the Group.

The auditor was 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 auditor.

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

<b>Name of Audit Committee Member</b>	<b>Attendance/Number of Audit Committee Meetings</b>
Mr. Chang Tso Tung, Stephen (Note 1)	1/1
Mr. Yau Kwan Shan ( <i>Chairman</i> ) (Note 2)	1/1
Mr. Leung Hon Ming	2/2
Mr. Pravith Vaewhongs	2/2

Notes:

1. Mr. Chang Tso Tung, Stephen resigned as an independent non-executive director and the chairman of the Audit Committee of the Company with effect from 31 August 2008. Before his resignation, there was one Audit Committee meeting held during the year ended 31 March 2009.
2. Mr. Yau Kwan Shan was appointed as an independent non-executive director and the chairman of the Audit Committee of the Company with effect from 30 November 2008. Subsequent to his appointment, there was one Audit Committee meeting held during the year ended 31 March 2009.

## **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 2009. 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.

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\$82,405,000 during the year ended 31 March 2009 and reported consolidated net current liabilities of HK\$47,061,000 as at 31 March 2009. As explained in the Independent Auditor's Report and note 2 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 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 auditor 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 auditor 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 2009 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 to the financial statements, is currently undertaking a number of measures to improve its financial and current liquidity position.

## **D. INTERNAL CONTROLS**

The Board is responsible for maintaining an adequate internal control system of the Group. The Board has conducted a review of the effectiveness of the internal control system of the Group for the year ended 31 March 2009. The senior management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

## E. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

Shinewing (HK) CPA Limited was appointed by the Board as auditor of the Company with effect from 2 June 2009 to replace Ernst & Young. The details of such change were set out in the Company's announcement dated 2 June 2009.

The statement of Shinewing (HK) CPA Limited about their reporting responsibilities on the Company's financial statements for the year ended 31 March 2009 is set out in the section headed "Independent Auditor's Report" in this annual report.

A summary of audit and non-audit services provided by the auditor or their related parties to the Group for the year ended 31 March 2009 and the corresponding service fees is as follows:

<b>Type of services provided by the external auditor</b>	<b>Fees paid/payable</b>
Audit services:	
Audit fee for the year ended 31 March 2009	<u>HK\$908,000</u>
Non-audit services:	<u>Nil</u>
TOTAL:	<u>HK\$908,000</u>

## F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board believes that a transparent 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.

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 general meetings of the Company provide an opportunity for communication between the Board and the shareholders. 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, shareholders' rights for proposing resolutions are contained in the Bye-laws.

Upon implementation of the amendments of the Listing Rules with effect from 1 January 2009, all resolutions proposed at shareholder meetings of listed issuers shall be voted by poll. The poll voting results shall be posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.namhingholdings.com](http://www.namhingholdings.com)) after a shareholders' meeting.

# Report of the Directors

The directors present their report and the audited financial statements of Nam Hing Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2009.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 37 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 2009 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 102.

## 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				
	2009	2008	2007	2006	2005
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Revenue	<u>129,394</u>	<u>302,813</u>	<u>328,085</u>	<u>281,128</u>	<u>277,082</u>
Profit/(loss) before tax	<u>(82,138)</u>	<u>(91,037)</u>	<u>(36,095)</u>	<u>(6,988)</u>	<u>6,004</u>
Tax	<u>(267)</u>	<u>(528)</u>	<u>(29)</u>	<u>(159)</u>	<u>(1,105)</u>
Profit/(loss) for the year	<u>(82,405)</u>	<u>(91,565)</u>	<u>(36,124)</u>	<u>(7,147)</u>	<u>4,899</u>

**SUMMARY OF FINANCIAL INFORMATION** (continued)

	<b>At 31 March</b>				
	<b>2009</b>	2008	2007	2006	2005
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	<b>79,315</b>	145,800	188,127	172,968	170,923
Investment properties	<b>5,870</b>	7,360	21,400	20,980	4,520
Prepaid land lease payments	<b>14,926</b>	15,431	14,528	14,080	14,097
Trademark	–	–	2,329	2,226	2,172
Current assets	<b>68,357</b>	151,319	195,244	169,457	117,316
Current liabilities	<b>(115,418)</b>	(196,774)	(229,988)	(175,934)	(104,721)
Net current assets/(liabilities)	<b>(47,061)</b>	(45,455)	(34,744)	(6,477)	12,595
Total assets less current liabilities	<b>53,050</b>	123,136	191,640	203,777	204,307
Long term portion of bank and other borrowings	<b>(22,622)</b>	(7,860)	(7,648)	(8,245)	(6,314)
Long term portion of finance lease payables	<b>(65)</b>	(897)	–	(608)	(1,248)
	<b>30,363</b>	114,379	183,992	194,924	196,745

**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 17 and 18 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 32 and 33 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 Group during the year are set out in the consolidated statement of changes in equity.

## **DISTRIBUTABLE RESERVES**

At 31 March 2009, 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\$127,008,000 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 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 (resigned on 31 August 2008)

Mr. Leung Hon Ming

Mr. Pravith Vaewhongs

Mr. Yau Kwan Shan (appointed on 30 November 2008)

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

## BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

### *Executive directors:*

**Mr. Lau Kwai**, aged 89, 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 59, 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, the 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 56, 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 Macau (formerly known as 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 54, 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 62, 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. Leung Hon Ming**, aged 56, 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, the 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 Authorized Person (List 1) since 1981. Mr. Leung has over 28 years of professional experience in architectural, interiors and urban planning in Hong Kong and Mainland China.

**Mr. Pravith Vaewhongs**, aged 63, 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 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, the 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.

**Mr. Yau Kwan Shan**, aged 46, was appointed as an independent non-executive director and the Chairman of the Audit Committee of the Company with effect from 30 November 2008. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has extensive experience in accounting and financial management. He had previously worked for an international accounting firm and a number of companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. He had been the financial controller and company secretary of the Group from September 1996 to February 2000.

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

### *Senior management staff:*

**Mr. Lau Chung Pun, Daniel**, aged 42, 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 49, 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 50, 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. Chan Kwok Choi, Stanley**, aged 45, is the Financial Controller and Company Secretary 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.

## UPDATE ON DIRECTORS' INFORMATION

The followings are updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. The annual salary of Mr. Lau Kwai has been adjusted to HK\$1,200,000 with effect from 1 April 2009.
2. The annual salary of each of Mr. Lau Chung Yim, Mr. Lau Hing Hai and Ms. Lau May Wah has been adjusted to HK\$510,000 with effect from 1 April 2009.
3. The annual salary of Mr. Lau Chung Hung has been adjusted to HK\$204,000 with effect from 1 April 2009.
4. The annual director's fee of each of Mr. Leung Hon Ming and Mr. Pravith Vaewhongs has been adjusted to HK\$96,000 with effect from 31 October 2008.

## **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 one year from 1 January 2009.

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**

In February 2009, the Group borrowed a loan of HK\$3,000,000 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 48 monthly installments of HK\$62,500 each. 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 2009, 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	21.18
	Founder of a discretionary trust	(b)	42,078,400	10.16
	Founder of a discretionary trust	(c)	15,851,200	3.83
			<u>147,125,600</u>	<u>35.53</u>
Mr. Lau Chung Yim	Beneficial owner		35,310,000	8.53
	Beneficiary of a discretionary trust	(a)	87,696,000	21.18
	Beneficiary of a discretionary trust	(b)	42,078,400	10.16
			<u>165,084,400</u>	<u>39.87</u>
Mr. Lau Chung Hung	Beneficial owner		18,000,000	4.35
	Beneficiary of a discretionary trust	(a)	87,696,000	21.18
			<u>105,696,000</u>	<u>25.53</u>
Mr. Lau Hing Hai	Beneficial owner		4,000,000	0.97
	Beneficiary of a discretionary trust	(a)	87,696,000	21.18
	Beneficiary of a discretionary trust	(c)	15,851,200	3.83
			<u>107,547,200</u>	<u>25.98</u>
Ms. Lau May Wah	Beneficial owner		20,419,200	4.93
	Beneficiary of a discretionary trust	(a)	87,696,000	21.18
			<u>108,115,200</u>	<u>26.11</u>
Mr. Leung Hon Ming	Beneficial owner		150,000	0.03

## 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
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 2009, 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 2009, 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.



## 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 33 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 31 March 2009	Date of grant of share options	Exercise period of share options**	Exercise price of share options*** HK\$ per share
	Outstanding at 1 April 2008	Granted during the year	Exercised during the year*	Lapsed during the year	Cancelled during the year				
<b>Directors</b>									
Mr. Lau Chung Hung	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
	<u>8,000,000</u>	<u>-</u>	<u>(4,000,000)</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>			
<b>Other employees working under continuous employment contracts</b>									
In aggregate	1,200,000	-	(200,000)	-	-	1,000,000	20 Sep 2007	23 Aug 2008 to 22 Aug 2010	0.22
	<u>1,200,000</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>			

## SHARE OPTION SCHEME (continued)

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

- \* 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 2009, 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	25.98
Ms. Fong Shun Yum	Interest of spouse	(b)	147,125,600	35.53
Mr. Lo Tin Yuen	Interest of spouse	(c)	108,115,200	26.11
Ms. Tam Wai Ling, Josephine	Interest of spouse	(d)	165,084,400	39.87
Ms. Wong Yuk Ching	Interest of spouse	(e)	105,696,000	25.53
Woohei Inc.	Trustee	(f)	87,696,000	21.18
Dragon Power Inc.	Trustee	(f)	42,078,400	10.16
MeesPierson Trust (Asia) Limited	Trustee	(f) & (g)	145,625,600	35.17
Sun Tak Sing	Beneficial Owner		65,906,000	15.91

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 105,696,000 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	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 (Note)	4,000,000	0.97

Note: 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.

Save as disclosed herein, as at 31 March 2009, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares" above, had an interest or a short position in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## **POST BALANCE SHEET EVENTS**

Details of the significant post balance sheet events of the Group are set out in note 38 to the financial statements.

## **AUDITOR**

Shinewing (HK) CPA Limited was appointed as auditor of the Company with effect from 2 June 2009 to replace Ernst & Young, who had acted as the auditor of the Company for the past three years ended 31 March 2006, 2007 and 2008.

Shinewing (HK) CPA Limited will retire and a resolution for their reappointment as auditor 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  
26 August 2009

# Independent Auditor's Report



SHINEWING (HK) CPA Limited  
16/F., United Centre  
95 Queensway, Hong Kong

## **TO THE SHAREHOLDERS OF NAM HING HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

We were engaged to audit the consolidated financial statements of Nam Hing Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 102, which comprise the consolidated balance sheet as at 31 March 2009, 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 CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 consolidated 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.

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except as described in the basis for disclaimer opinion paragraph, 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 consolidated financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

**TO THE SHAREHOLDERS OF NAM HING HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

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

The Group incurred a loss for the year ended 31 March 2009 of approximately HK\$82,405,000 and, as at 31 March 2009, the Group reported consolidated net current liabilities of approximately HK\$47,061,000. In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As detailed in note 2 to the consolidated financial statements, the Group is currently undertaking a number of measures to improve its financial and current liquidity position. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon 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 consolidated 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 consolidated 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.

**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 consolidated financial statements as to whether they give a true and fair view of the state of the Group's affairs as at 31 March 2009 and of its 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 consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Pang Wai Hang**

Practising Certificate Number: P05044

Hong Kong

26 August 2009

# Consolidated Income Statement

For the year ended 31 March 2009

	Notes	2009 HK\$'000	2008 HK\$'000
Turnover	8	<b>129,394</b>	302,813
Cost of sales		<b>(127,683)</b>	(298,953)
Gross profit		<b>1,711</b>	3,860
Other income	9	<b>6,425</b>	14,249
Gain on disposal of investment properties held for sale		<b>10,187</b>	–
Selling and distribution expenses		<b>(4,569)</b>	(8,150)
Administrative expenses		<b>(34,875)</b>	(41,752)
Fair value changes in held for trading investments		<b>(1,735)</b>	(69)
Fair value changes in investment properties		<b>(1,490)</b>	600
Impairment loss recognised in respect of property, plant and equipment	17	<b>(52,438)</b>	(47,442)
Impairment loss recognised in respect of trademark	20	–	(2,329)
Finance costs	10	<b>(5,354)</b>	(10,004)
Loss before income tax	11	<b>(82,138)</b>	(91,037)
Income tax expenses	14	<b>(267)</b>	(528)
Loss for the year		<b>(82,405)</b>	(91,565)
Loss per share	16		
Basic		<b>(19.99) cents</b>	(22.62) cents
Diluted		<b>N/A</b>	N/A



# Consolidated Balance Sheet

At 31 March 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	17	<b>79,315</b>	145,800
Investment properties	18	<b>5,870</b>	7,360
Prepaid lease payments	19	<b>14,926</b>	15,431
Trademark	20	<b>–</b>	–
		<b>100,111</b>	168,591
<b>CURRENT ASSETS</b>			
Inventories	21	<b>27,397</b>	44,412
Trade receivables	22	<b>13,624</b>	67,294
Other receivables, prepayments and deposits paid	23	<b>4,359</b>	6,028
Investment properties held for sale	24	<b>2,603</b>	14,640
Held for trading investments	25	<b>28</b>	3,645
Tax recoverable		<b>70</b>	184
Pledged fixed deposits	26	<b>18,641</b>	12,579
Cash and bank balances	26	<b>1,635</b>	2,537
		<b>68,357</b>	151,319
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	27	<b>43,175</b>	61,604
Other payables and accruals	28	<b>12,411</b>	20,284
Bank and other borrowings	29	<b>59,000</b>	114,063
Obligations under finance leases	30	<b>832</b>	823
		<b>115,418</b>	196,774
<b>NET CURRENT LIABILITIES</b>		<b>(47,061)</b>	(45,455)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>53,050</b>	123,136
<b>CAPITAL AND RESERVES</b>			
Share capital	32	<b>41,404</b>	40,984
Reserves		<b>(11,041)</b>	73,395
		<b>30,363</b>	114,379
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings	29	<b>22,622</b>	7,860
Obligations under finance leases	30	<b>65</b>	897
		<b>22,687</b>	8,757
		<b>53,050</b>	123,136

The consolidated financial statements on pages 39 to 102 were approved and authorised for issue by the board of directors on 26 August 2009 and are signed on its behalf by:

**Lau Kwai**  
Director

**Lau Chung Yim**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

	Share capital	Share premium	Share options reserve	Contributed surplus (note)	Exchange reserve	Capital redemption reserve	Retained profits/ (Accumulated losses)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007	40,184	124,711	-	2,031	6,639	464	9,963	183,992
Exchange differences arising on translation of foreign operations, representing net income recognised directly in equity	-	-	-	-	19,029	-	-	19,029
Loss for the year, representing total recognised income and expenses for the year	-	-	-	-	-	-	(91,565)	(91,565)
Issuance of shares	800	1,516	(556)	-	-	-	-	1,760
Equity-settled share-based payments	-	-	1,163	-	-	-	-	1,163
<b>At 31 March 2008</b>	<b>40,984</b>	<b>126,227</b>	<b>607</b>	<b>2,031</b>	<b>25,668</b>	<b>464</b>	<b>(81,602)</b>	<b>114,379</b>
At 1 April 2008	40,984	126,227	607	2,031	25,668	464	(81,602)	114,379
Exchange differences arising on translation of foreign operations, representing net expenses recognised directly in equity	-	-	-	-	(2,568)	-	-	(2,568)
Loss for the year, representing total recognised income and expenses for the year	-	-	-	-	-	-	(82,405)	(82,405)
Issuance of shares	420	781	(277)	-	-	-	-	924
Equity-settled share based payment	-	-	33	-	-	-	-	33
<b>At 31 March 2009</b>	<b>41,404</b>	<b>127,008</b>	<b>363</b>	<b>2,031</b>	<b>23,100</b>	<b>464</b>	<b>(164,007)</b>	<b>30,363</b>

Note: The contributed surplus of Nam Hing Holdings Limited (the "Company") and its subsidiaries (together with the Company referred to as 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.

# Consolidated Cash Flow Statement

For the year ended 31 March 2009

	2009 HK\$'000	2008 HK\$'000
<b>Operating activities</b>		
Loss before income tax	<b>(82,138)</b>	(91,037)
Adjustments for:		
Finance costs	<b>5,354</b>	10,004
Bank interest income	<b>(313)</b>	(494)
Gain on disposal of property, plant and equipment	<b>(62)</b>	(4,284)
Gain on disposal of investment properties held for sale	<b>(10,187)</b>	–
Gain on disposal of prepaid lease payments	–	(967)
Reversal of impairment loss recognised in respect of trade receivables	–	(219)
Write down of inventories	–	2,046
Impairment loss recognised in respect of trade receivables	<b>5,325</b>	7,481
Impairment loss recognised in respect of property, plant and equipment	<b>52,438</b>	47,442
Impairment loss recognised in respect of trademark	–	2,329
Depreciation of property, plant and equipment	<b>15,539</b>	19,294
Amortisation of prepaid lease payments	<b>431</b>	384
Fair value changes in investment properties	<b>1,490</b>	(600)
Fair value changes in held for trading investments	<b>1,735</b>	69
Equity-settled share-based payments	<b>33</b>	1,163
	<hr/>	<hr/>
Operating cash flows before movement in working capital	<b>(10,355)</b>	(7,389)
Decrease in inventories	<b>17,015</b>	15,302
Decrease in trade receivables	<b>48,345</b>	34,659
Decrease in other receivables, prepayments and deposits paid	<b>1,836</b>	1,286
Decrease in trade and bills payables	<b>(18,429)</b>	(10,809)
(Decrease) increase in other payables and accruals	<b>(7,873)</b>	981
Effect of foreign exchange	<b>(3,063)</b>	2,409
	<hr/>	<hr/>
Cash generated from operations	<b>27,476</b>	36,439
Income tax paid	<b>(153)</b>	(535)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>27,323</b>	35,904

## Consolidated Cash Flow Statement

For the year ended 31 March 2009

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
<b>Investing activities</b>		
Proceeds from disposal of investment property held for sale	<b>22,224</b>	5,013
Proceeds from disposal of held for trading investments	<b>1,882</b>	–
Proceeds from disposal of property, plant and equipment	<b>1,335</b>	1,101
Bank interest received	<b>313</b>	494
Increase in pledged fixed deposits	<b>(6,062)</b>	(3,044)
Purchases of property, plant and equipment	<b>(2,478)</b>	(6,233)
Acquisition of held for trading investments	<b>–</b>	(376)
	<hr/>	<hr/>
<b>Net cash generated from (used in) investing activities</b>	<b>17,214</b>	(3,045)
	<hr/>	<hr/>
<b>Financing activities</b>		
Repayments of bank loans and other loans	<b>(51,999)</b>	(24,561)
Decrease in advances from banks as consideration for the factored receivables	<b>(25,876)</b>	(22,123)
Decrease in trust receipt loans	<b>(10,774)</b>	(21,224)
Interest paid	<b>(5,275)</b>	(9,827)
Repayments of obligations under finance leases	<b>(823)</b>	(1,355)
Interest paid to finance leases	<b>(79)</b>	(177)
New bank loans and other loans raised	<b>43,304</b>	52,193
Increase (decrease) in bank overdrafts	<b>5,044</b>	(9,024)
Proceeds from issuance of shares	<b>924</b>	1,760
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(45,554)</b>	(34,338)
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,017)</b>	(1,479)
<b>Cash and cash equivalents at beginning of the year</b>	<b>2,537</b>	3,944
Effect of foreign currency rate changes	<b>115</b>	72
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year representing, cash and bank balances</b>	<b>1,635</b>	2,537
	<hr/>	<hr/>

# Notes to Consolidated Financial Statements

For the year ended 31 March 2009

## 1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" of the Annual Report.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 36. The Company together with its subsidiaries are referred to as the Group.

Other than those operating subsidiaries established in the People's Republic of China (the "PRC") and Thailand are engaged in trading and manufacture of printed circuit boards, laminates and copper foils, whose functional currencies are Renminbi ("RMB") and Thailand Baht ("Baht") respectively, the functional currency of the Company and its subsidiaries is Hong Kong dollars ("HK\$"). The consolidated financial statements are presented in HK\$.

## 2. BASIS OF PRESENTATION

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group had net current liabilities of approximately HK\$47,061,000 as at 31 March 2009.

In the opinion of the directors of the Company, the Group is able to maintain itself as a going concern in the coming year by taking into consideration the arrangements which include, but are not limited to, the followings:

1. The directors of the Company continue to implement measures to tighten cost controls over various operating costs and expenses of the Group;
2. The directors of the Company continue to scale down the non-profitable operations;
3. The directors of the Company are planning to dispose of non-core assets; and
4. The continuous provision of funds from its major bankers by renewal of bank loans upon their maturities. Subsequent to 31 March 2009, the banking facilities of approximately HK\$46,678,000 has been already renewed.

Based on the aforesaid measures, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

For the year ended 31 March 2009

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

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

Hong Kong Accounting Standard (“HKAS”) 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Interpretation (“INT”) 12	Service Concession Arrangements
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs May 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs April 2009 <sup>2</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>3</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>3</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>4</sup>
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>3</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>4</sup>
HKFRS 1	First-time Adoption of HKFRSs <sup>9</sup>
HKFRS 1 (Revised)	First-time Adoption of HKFRSs <sup>4</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>3</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>3</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>9</sup>
HKFRS 3 (Revised)	Business Combinations <sup>4</sup>
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments <sup>3</sup>

For the year ended 31 March 2009

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

HKFRS 8	Operating Segments <sup>3</sup>
HK(IFRIC) – INT 9 and HKAS 39 (Amendments)	Embedded Derivatives <sup>7</sup>
HK(IFRIC) – INT 13	Customer Loyalty Programmes <sup>5</sup>
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate <sup>3</sup>
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation <sup>6</sup>
HK(IFRIC) – INT 17	Distribution of Non-cash Assets to Owners <sup>4</sup>
HK(IFRIC) – INT 18	Transfers of Assets from Customers <sup>8</sup>

<sup>1</sup> Amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2008.

<sup>6</sup> Effective for annual periods beginning on or after 1 October 2008.

<sup>7</sup> Effective for annual periods ending on or after 30 June 2009.

<sup>8</sup> Effective for transfers of assets from customers received on or after 1 July 2009.

<sup>9</sup> Effective for annual periods beginning on or after 1 January 2010.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

For the year ended 31 March 2009

### 4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.



For the year ended 31 March 2009

#### **4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

##### **Property, plant and equipment**

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress ("CIP")) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Freehold land is stated at cost less any recognised impairment loss, and is not amortised.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

CIP includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. CIP is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

For the year ended 31 March 2009

#### **4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **Property, plant and equipment** (continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

##### **Investment properties**

Investment properties are properties held to earn rentals and for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

##### **Investment properties held for sale**

Investment properties are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the investment property is available for immediate sale in its present condition.

Investment properties classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

For the year ended 31 March 2009

#### **4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### ***The Group as lessor***

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

##### ***The Group as lessee***

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

##### **Prepaid lease payments**

Prepaid lease payments represent interest in land held under operating lease arrangements and are amortised on a straight-line basis over the lease terms.

##### **Intangible assets**

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses. (See the accounting policy in respect of impairment losses on tangible and intangible assets below.)

For the year ended 31 March 2009

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

#### Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidation income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

For the year ended 31 March 2009

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Income tax (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### Borrowing costs

All borrowing costs are recognised as expenses in the period in which they are incurred.

#### Retirement benefit costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

For the year ended 31 March 2009

#### **4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **Impairment losses on tangible and intangible assets**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

##### **Financial instruments**

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

##### ***Financial assets***

The Group classifies its financial assets into financial assets at fair value through profit or loss (“FVTPL”) and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

For the year ended 31 March 2009

#### **4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **Financial instruments** (continued)

##### **Financial assets** (continued)

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

##### *Financial assets at fair value through profit or loss*

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits paid, pledged fixed deposits and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. (see accounting policy on impairment loss on financial assets below).

For the year ended 31 March 2009

#### **4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **Financial instruments** (continued)

##### **Financial assets** (continued)

##### *Impairment loss on financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, other receivables and deposits paid, pledged fixed deposits and cash and bank balances, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period from 3 to 6 months, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables and deposits paid, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables, other receivables and deposits paid are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.



For the year ended 31 March 2009

#### **4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **Financial instruments** (continued)

##### **Financial assets** (continued)

##### *Impairment loss on financial assets (continued)*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### **Financial liabilities and equity**

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, the shorter period.

Interest expense is recognised on an effective interest basis.

##### *Other financial liabilities*

Other financial liabilities (including trade and bills payables, other payables and accruals; bank and other borrowings and obligations under finance leases) are subsequently measured at amortised cost, using the effective interest rate method.

For the year ended 31 March 2009

#### **4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **Financial instruments** (continued)

##### ***Financial liabilities and equity*** (continued)

##### *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

##### ***Derecognition***

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

##### **Equity-settled share-based payments transactions**

##### ***Share options granted to directors and employees of the Company***

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

For the year ended 31 March 2009

## **5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the critical judgement, apart from those involving estimations, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

### **Going concern basis**

Although the Group had net current liabilities at the balance sheet date, the Group manages its liquidity risk by monitoring its current and expected liquidity requirements regularly and ensuring sufficient liquid cash to meet the Group's liquidity requirements in the short and long term. The directors consider the Group has no significant liquidity risk.

### **Key sources of estimation uncertainty**

The followings are 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.

For the year ended 31 March 2009

## **5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY** (continued)

### **Impairment of property, plant and equipment**

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 of items of property, plant and equipment was determined by valuation performed by LCH (Asia-Pacific) Surveyors Limited (the "Valuer"), an independent professional qualified valuer. The value-in-use calculation requires the directors of the Company 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.

### **Impairment of trademark**

Items of 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 value-in-use. The value-in-use calculation requires the directors of the Company 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.

### **Factored receivables**

Part of trade receivables were factored to certain banks under certain receivable purchase agreements (the "Factored Receivables"). Base on the risks and rewards of ownership of the Factored Receivables included the risks in respect of default payments, the Group continued to recognise the Factored Receivables in the consolidated balance sheet at the balance sheet date.

### **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 the 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 consolidated income statement.

For the year ended 31 March 2009

## **5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY** (continued)

### **Impairment loss of trade receivables**

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 recoverable 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.

### **Impairment loss on 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.

### **Equity-settled share-based payments**

The fair value of the share options granted to the directors and employees determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share options reserve. In assessing the fair value of the share options, the generally accepted option pricing models were used to calculate the fair value of the share options. The option pricing models require the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

## **6. CAPITAL RISK 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. Changes were made in the objectives, policies or processes during the two years ended 31 March 2009 and 31 March 2008.

For the year ended 31 March 2009

**6. CAPITAL RISK MANAGEMENT** (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Based on the recommendation of the directors of the Company, the Group's policy is to maintain the gearing ratio not exceeding 85% (2008: 70%). Net debt includes obligation under finance leases, bank and other borrowings, trade and bills payables, other payables, accruals, less cash and bank balances. Capital includes equity attributable to the Group.

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Obligations under finance leases	<b>897</b>	1,720
Bank and other borrowings	<b>81,622</b>	121,923
Trade and bills payables	<b>43,175</b>	61,604
Other payable and accruals	<b>12,411</b>	20,284
Less: cash and bank balances	<b>(1,635)</b>	(2,537)
	<hr/> <b>136,470</b>	<hr/> 202,994
Net debt		
	<hr/> <b>30,363</b>	<hr/> 114,379
Equity attributable to the Group		
	<hr/> <b>166,833</b>	<hr/> 317,373
Capital and net debt		
	<hr/> <b>82%</b>	<hr/> 64%
Gearing ratio		

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 7. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
<b>Financial assets</b>		
Held for trading investments	<b>28</b>	3,645
Loan and receivables		
– Trade receivables	<b>13,624</b>	67,294
– Other receivables and deposits paid	<b>1,278</b>	1,755
– Pledged fixed deposits	<b>18,641</b>	12,579
– Cash and bank balances	<b>1,635</b>	2,537
	<b>35,206</b>	87,810
<b>Financial liabilities</b>		
Other financial liabilities at amortised cost		
– Trade and bills payables	<b>43,175</b>	61,604
– Other payables and accruals	<b>12,411</b>	20,284
– Bank and other borrowings	<b>81,622</b>	121,923
– Obligations under finance leases	<b>897</b>	1,827
	<b>138,105</b>	205,638

For the year ended 31 March 2009

## 7. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies

The Group's major financial instruments comprise held for trading investments, trade receivables, other receivables and deposits paid, pledged fixed deposits, cash and bank balances, trade and bills payables, other payables and accruals, bank and other borrowings and obligations under finance leases. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *Market risk*

##### (i) Foreign currency risk

Certain bank balances, receivables and payables of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
RMB	<b>27,454</b>	46,876	<b>26,163</b>	26,756
Baht	<b>2,112</b>	8,235	<b>12,910</b>	77,604
United Stated Dollar ("US\$")	<b>6,072</b>	1,214	<b>33,605</b>	6,214



## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 7. FINANCIAL INSTRUMENTS (continued)

#### (b) Financial risk management objectives and policies (continued)

##### *Market risk (continued)*

##### (i) *Foreign currency risk (continued)*

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 income 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).

	<b>Increase (decrease) in foreign exchange rate %</b>	<b>Increase (decrease) in loss before income tax HK\$'000</b>
<b>2009</b>		
If HK\$ weakens against US\$	<b>1</b>	<b>275</b>
If HK\$ strengthens against US\$	<b>(1)</b>	<b>(275)</b>
If HK\$ weakens against Baht	<b>16</b>	<b>1,727</b>
If HK\$ strengthens against Baht	<b>(16)</b>	<b>(1,727)</b>
If HK\$ weakens against RMB	<b>5</b>	<b>(65)</b>
If HK\$ strengthens against RMB	<b>(5)</b>	<b>65</b>
<b>2008</b>		
If HK\$ weakens against US\$	1	50
If HK\$ strengthens against US\$	(1)	(50)
If HK\$ weakens against Baht	16	11,099
If HK\$ strengthens against Baht	(16)	(11,099)
If HK\$ weakens against RMB	5	(1,006)
If HK\$ strengthens against RMB	(5)	1,006

For the year ended 31 March 2009

## 7. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### *Market risk (continued)*

#### (ii) 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 income 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 2008.

	<b>Increase in basis point</b>	<b>Increase in loss before income tax HK\$'000</b>
<b>2009</b>		
HK\$	<b>25</b>	<b>156</b>
RMB	<b>200</b>	<b>244</b>
Baht	<b>25</b>	<b>19</b>
2008		
HK\$	25	225
RMB	200	267
Baht	25	26

For the year ended 31 March 2009

## **7. FINANCIAL INSTRUMENTS** (continued)

### **(b) Financial risk management objectives and policies** (continued)

#### ***Credit risk***

The carrying amount of the trade and other receivables 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. The Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries.

The credit risk on liquid funds is limited because the majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

#### ***Liquidity risk***

The Group is exposed to liquidity risk as at 31 March 2009 as the Group had net current liabilities of approximately HK\$47,061,000 as at 31 March 2009. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it meets the liquidity requirements in the short and long term.

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.



For the year ended 31 March 2009

## **7. FINANCIAL INSTRUMENTS** (continued)

### **(c) Fair value**

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets is determined with reference to quoted market bid prices and ask prices, respectively;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- The carrying amounts of financial assets and financial liabilities reported in the consolidated balance sheet of the Group approximate their fair values due to their immediate or short-term maturities.

## **8. TURNOVER AND SEGMENT INFORMATION**

The Group's turnover represents the net invoiced value of goods sold, after allowances and trade discounts.

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

### **(a) Business segments**

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;

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 8. TURNOVER AND SEGMENT INFORMATION (continued)

#### (a) Business segments (continued)

- (b) the manufacture and sale of printed circuit boards (“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.

Segment information about these businesses is presented below:

#### Consolidated income statement for the year ended 31 March

	Manufacture and sale of laminates		Manufacture and sale of PCBs		Manufacture and sale of copper foils		Eliminations		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<b>Segment revenue:</b>										
Sales to external customers	55,031	198,273	72,899	101,854	1,464	2,686	-	-	129,394	302,813
Intersegment sales	22,716	36,185	-	-	17,858	77,554	(40,574)	(113,739)	-	-
Other income	5,831	15,473	189	(2,581)	581	1,357	(1,244)	-	5,357	14,249
<b>Total</b>	<b>83,578</b>	<b>249,931</b>	<b>73,088</b>	<b>99,273</b>	<b>19,903</b>	<b>81,597</b>	<b>(41,818)</b>	<b>(113,739)</b>	<b>134,751</b>	<b>317,062</b>
<b>Segment results</b>	<b>(62,439)</b>	<b>(79,132)</b>	<b>4,441</b>	<b>273</b>	<b>(25,459)</b>	<b>(2,419)</b>			<b>(83,457)</b>	<b>(81,278)</b>
Bank interest income									313	494
Gain on disposal of investment properties held for sale									10,187	-
Unallocated income									755	897
Unallocated expenses									(4,582)	(1,146)
Finance costs									(5,354)	(10,004)
Loss before income tax									(82,138)	(91,037)
Income tax expenses									(267)	(528)
Loss for the year									(82,405)	(91,565)

#### Consolidated balance sheet as at 31 March

	Manufacture and sale of laminates		Manufacture and sale of PCBs		Manufacture and sale of copper foils		Eliminations		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<b>Assets and liabilities:</b>										
Segment assets	61,441	162,066	54,682	73,827	25,084	42,895	-	-	141,207	278,788
Unallocated assets									27,261	41,122
<b>Consolidated total assets</b>									<b>168,468</b>	<b>319,910</b>
Segment liabilities	13,283	33,150	25,731	34,868	12,895	13,670	-	-	51,909	81,688
Unallocated liabilities									86,196	123,843
<b>Consolidated total liabilities</b>									<b>138,105</b>	<b>205,531</b>

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 8. TURNOVER AND SEGMENT INFORMATION (continued)

#### (a) Business segments (continued)

	Manufacture and sale of laminates		Manufacture and sale of PCBs		Manufacture and sale of copper foils		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<b>Other segment information for the year ended 31 March:</b>								
Depreciation of the property, plant and equipment	4,401	7,972	4,314	3,888	6,824	7,434	15,539	19,294
Amortisation of prepaid lease payments	206	190	225	194	-	-	431	384
Fair value changes in investment properties	-	-	-	-	-	-	1,490	(600)
Impairment loss recognised in respect of trade receivables	3,999	6,134	1,326	1,347	-	-	5,325	7,481
Impairment loss recognised in respect of property, plant and equipment	43,438	47,442	-	-	9,000	-	52,438	47,442
Reversal of impairment loss recognised in respect of trade receivables	-	-	-	(219)	-	-	-	(219)
Gain on disposal of property, plant and equipment	180	-	-	(4,284)	(242)	-	(62)	(4,284)
Gain on disposal of prepaid lease payments	-	(967)	-	-	-	-	-	(967)
Write down of inventories	-	2,046	-	-	-	-	-	2,046
Capital expenditure	-	1,211	1,301	5,961	1,177	1,528	2,478	8,700

#### (b) Geographical segments

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.

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Hong Kong		PRC		Others		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<b>Segment revenue:</b>								
Sales to external customers	109,675	173,900	6,376	42,836	13,343	86,077	129,394	302,813
<b>Other segment information:</b>								
Segment assets	23,751	120,678	115,304	156,262	2,152	1,848	141,207	278,788
Capital expenditure	-	-	1,301	7,173	1,177	1,527	2,478	8,700

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 9. OTHER INCOME

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Sale of scrap materials	<b>398</b>	2,521
Bank interest income	<b>313</b>	494
Rental income	<b>251</b>	297
Foreign exchange gains, net	<b>4,897</b>	4,999
Gain on disposal of property, plant and equipment	<b>62</b>	4,284
Gain on disposal of prepaid lease payments	–	967
Reversal of impairment loss recognised in respect of trade receivables	–	219
Others	<b>504</b>	468
	<hr/> <b>6,425</b> <hr/>	<hr/> 14,249 <hr/>

### 10. FINANCE COSTS

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Interest expenses on:		
Bank and other borrowings wholly repayable within five years	<b>4,385</b>	6,330
Bank and other borrowings wholly repayable over five years	<b>125</b>	160
Factoring arrangements	<b>765</b>	3,337
Obligations under finance leases wholly repayable within five years	<b>79</b>	177
	<hr/> <b>5,354</b> <hr/>	<hr/> 10,004 <hr/>



## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 11. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging:

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Auditors' remuneration	<b>908</b>	1,393
Amortisation of prepaid lease payments	<b>431</b>	384
Cost of inventories recognised as an expense	<b>96,333</b>	215,884
Depreciation of property, plant and equipment	<b>15,539</b>	19,294
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	<b>24</b>	19
Impairment loss recognised in respect of trade receivables	<b>5,325</b>	7,481
Write down of inventories (included in cost of sales)	–	2,046
Operating lease rentals paid in respect of rented premise	<b>360</b>	360
Staff costs		
– Directors' remuneration (note 12)	<b>4,368</b>	9,293
– Equity-settled share-based payments	<b>33</b>	1,163
– Staff costs	<b>19,768</b>	26,998
– Retirement benefits contribution (excluding directors)	<b>367</b>	431
Total staff costs	<b>24,536</b>	37,885

### 12. DIRECTORS' REMUNERATION

The emoluments for executive and independent non-executive directors paid or payable to each of the ten (2008: nine) directors were as follows:

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Fees	<b>450</b>	450
Other emoluments:		
Salaries, allowances and benefits in kind	<b>3,804</b>	8,705
Equity-settled share-based payments	–	1,112
Retirement benefits contribution	<b>114</b>	138
	<b>3,918</b>	9,955
	<b>4,368</b>	10,405

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 12. DIRECTORS' REMUNERATION (continued)

#### (a) Executive directors

2009	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Equity-settled share-based payments HK\$'000	Retirement benefits contribution HK\$'000	Total HK\$'000
<i>Executive directors:</i>					
Lau Kwai	1,004	-	-	-	1,004
Lau Chung Yim	700	-	-	38	738
Lau Chung Hung	700	-	-	12	712
Lau Hing Hai	700	-	-	52	752
Lau May Wah	700	-	-	12	712
Kwok Kwan Hung <sup>1</sup>	-	-	-	-	-
	<b>3,804</b>	<b>-</b>	<b>-</b>	<b>114</b>	<b>3,918</b>
2008	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Equity-settled share-based payments HK\$'000	Retirement benefits contribution HK\$'000	Total HK\$'000
<i>Executive directors:</i>					
Lau Kwai	2,359	-	-	-	2,359
Lau Chung Yim	2,363	-	278	38	2,679
Lau Chung Hung	744	-	278	12	1,034
Lau Hing Hai	2,291	-	278	52	2,621
Lau May Wah	788	-	278	12	1,078
Kwok Kwan Hung <sup>1</sup>	160	-	-	8	168
	<b>8,705</b>	<b>-</b>	<b>1,112</b>	<b>122</b>	<b>9,939</b>

For the year ended 31 March 2009

## 12. DIRECTORS' REMUNERATION (continued)

### (b) Independent non-executive directors

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

2009	Fees HK\$'000	Retirement benefits contribution HK\$'000	Total HK\$'000
Leung Hon Ming	150	–	150
Yau Kwan Shan <sup>2</sup>	50	–	50
Chang Tso Tung, Stephen <sup>3</sup>	100	–	100
Pravith Vaewhongs	150	–	150
	<u>450</u>	<u>–</u>	<u>450</u>
Retirement			
2008	Fees HK\$'000	benefits contribution HK\$'000	Total HK\$'000
Leung Hon Ming	150	–	150
Chang Tso Tung, Stephen	150	–	150
Pravith Vaewhongs	150	–	150
	<u>450</u>	<u>–</u>	<u>450</u>

Notes:

1. Kwok Kwan Hung (resigned on 17 April 2008)
2. Yau Kwan Shan (appointed on 30 November 2008)
3. Chang Tso Tung, Stephen (resigned on 31 August 2008)

None of the directors of the Company waived or agreed to waive any emoluments paid by the Group. No emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office during the two years ended 31 March 2009 and 2008.

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 13. EMPLOYEE'S EMOLUMENTS

The five highest paid employees during the year included five (2008: five) directors, details of whose remuneration are set out in note 12 above.

### 14. INCOME TAX EXPENSES

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Current tax		
Hong Kong Profits Tax	–	–
Outside Hong Kong	<b>267</b>	528
	<hr/>	<hr/>
Tax charge for the year	<b>267</b>	528
	<hr/>	<hr/>

#### Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and its subsidiaries which operate in Hong Kong have no assessable profits for the two years ended 31 March 2009 and 2008.

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

#### Overseas income tax

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

#### PRC Tax

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards.

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 14. INCOME TAX EXPENSES (continued)

The tax charge for the year can be reconciled to the loss before income tax per the consolidated income statements as follows:

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Loss before income tax	<b>(82,138)</b>	(91,037)
Tax at the domestic income rate of 16.5% (2008: 17.5%)	<b>(13,553)</b>	(15,931)
Tax effect of income not taxable for tax purposes	<b>(1,745)</b>	(1,520)
Tax effect of expenses not deductible for tax purposes	<b>9,607</b>	14,993
Effect of change in tax rate	<b>(1,780)</b>	–
Tax effect of tax losses not recognised	<b>7,160</b>	5,535
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>578</b>	(2,549)
Tax charge for the year	<b>267</b>	528

Details of deferred tax are set out in note 31.

### 15. DIVIDENDS

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the balance sheet date (2008: nil).

For the year ended 31 March 2009

## 16. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
<u>Loss</u>		
Loss for the purpose of calculating basic loss per share	<b>(82,405)</b>	(91,565)
<b>Number of shares</b>	<b>2009</b>	2008
Issued ordinary shares at 1 April	<b>409,838,000</b>	401,838,000
Effect of exercise of share options	<b>2,346,301</b>	2,883,313
Weight average number of ordinary shares for the purpose of calculating basic loss per share	<b>412,184,301</b>	404,721,313

No diluted loss per share has been presented for the two years ended 31 March 2009 and 2008 as the outstanding share options during the year had an anti-dilutive effect on the basic loss per share.

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and office equipment HK\$'000	Motor vehicles HK\$'000	CIP HK\$'000	Total HK\$'000
<b>COST</b>								
At 1 April 2007	3,118	88,863	4,939	272,816	19,979	3,613	33,573	426,901
Additions	-	56	-	5,142	282	-	3,220	8,700
Disposals	-	(904)	-	(915)	(3,615)	-	-	(5,434)
Transfer from CIP	-	-	-	724	-	-	(724)	-
Exchange realignment	104	6,084	-	18,328	953	154	3,403	29,026
At 31 March 2008 and 1 April 2008	3,222	94,099	4,939	296,095	17,599	3,767	39,472	459,193
Additions	-	693	-	1,692	93	-	-	2,478
Disposals	-	(1,039)	(4,939)	(1,505)	(3,729)	(433)	-	(11,645)
Transfer from CIP	-	12,547	-	1,290	-	-	(13,837)	-
Exchange realignment	(133)	1,797	-	11,120	357	78	1,040	14,259
At 31 March 2009	3,089	108,097	-	308,692	14,320	3,412	26,675	464,285
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS</b>								
At 1 April 2007	-	28,233	4,939	185,741	17,141	2,720	-	238,774
Exchange realignment	-	1,799	-	9,955	720	115	-	12,589
Disposals	-	(309)	-	(824)	(3,573)	-	-	(4,706)
Impairment loss	-	-	-	24,042	-	-	23,400	47,442
Provided for the year	-	4,636	-	14,050	333	275	-	19,294
At 31 March 2008 and 1 April 2008	-	34,359	4,939	232,964	14,621	3,110	23,400	313,393
Exchange realignment	-	1,622	-	11,955	324	71	-	13,972
Disposals	-	-	(4,939)	(1,470)	(3,729)	(234)	-	(10,372)
Impairment loss	-	3,909	-	47,043	311	-	1,175	52,438
Provided for the year	-	4,802	-	10,197	287	253	-	15,539
At 31 March 2009	-	44,692	-	300,689	11,814	3,200	24,575	384,970
<b>CARRYING VALUES</b>								
At 31 March 2009	3,089	63,405	-	8,003	2,506	212	2,100	79,315
At 31 March 2008	3,222	59,740	-	63,131	2,978	657	16,072	145,800

For the year ended 31 March 2009

## 17. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 March 2009, the net carrying values of the Group's freehold land situated in Thailand were approximately HK\$3,089,000 (2008: HK\$3,222,000) and buildings situated in Thailand and the PRC were approximately HK\$21,255,000 (2008: HK\$15,078,000) and HK\$42,150,000 (2008: HK\$44,662,000) respectively.

The net carrying values of plant and machinery held under finance leases as at 31 March 2009 amounted to approximately HK\$2,063,000 (2008: HK\$2,279,000).

As at 31 March 2009, the Group's freehold land and buildings with an aggregate net carrying value of HK\$54,615,000 (2008: HK\$40,696,000) were pledged for banking facilities granted to the Group (note 29(a)(i)).

In light of the continuing loss-making of certain subsidiaries situated in the PRC, 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 of the Company engaged 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 plan of the Group and the valuation performed by the Valuer, an impairment loss of HK\$52,438,000 (2008: HK\$47,442,000) was made to the carrying amounts of the property, plant and equipment, which has been charged to the consolidated income statement for the year. The recoverable amounts of the impaired property, plant and equipment represented the fair values less costs to sell as determined by the valuation report performed by the Valuer.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Freehold land	Not depreciated
Buildings	2% to 4.5%
Leasehold improvements	Over the shorter of the lease terms or 20%
Plant and machinery	9% to 10%
Furniture and office equipment	10% to 20%
Motor vehicles	18% to 20%



## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 18. INVESTMENT PROPERTIES

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
FAIR VALUE		
At 1 April	<b>7,360</b>	21,400
Net (decrease) increase in fair value recognised in the consolidated income statement	<b>(1,490)</b>	600
Transfer to an investment property held for sale	<u>-</u>	<u>(14,640)</u>
At 31 March	<b><u>5,870</u></b>	<u>7,360</u>

The Group's investment properties as at 31 March 2009 and 2008 were situated in Hong Kong and were held under a medium-term lease.

The fair value has been arrived at based on a valuation carried out by the Valuer. The valuation was determined by reference to recent market prices for similar properties in the same locations and conditions.

As at 31 March 2009 and 31 March 2008, the Group's investment properties was pledged to a bank for banking facilities granted to the Group (note 29(a)(iii)).

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 19. PREPAID LEASE PAYMENTS

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
At 1 April	<b>15,855</b>	14,929
Disposals	–	(134)
Amortised during the year	<b>(431)</b>	(384)
Exchange realignment	<b>93</b>	1,444
	<hr/>	<hr/>
At 31 March	<b>15,517</b>	15,855
	<hr/>	<hr/>
Analysed for reporting purposes as:		
Current asset included in other receivables, prepayment and deposit paid	<b>591</b>	424
Non-current asset	<b>14,926</b>	15,431
	<hr/>	<hr/>
	<b>15,517</b>	15,855
	<hr/>	<hr/>

At the balance sheet date, the Group's leasehold land was situated in the PRC under medium- leases term.

As at 31 March 2009, the Group's leasehold land with an aggregate carrying amount of HK\$8,027,000 (2008: HK\$7,951,000) was pledged for banking facilities granted to the Group (note 29(a)(ii)).

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 20. TRADEMARK

	HK\$'000
COST	
At 1 April 2007, 31 March 2008, 1 April 2008 and 31 March 2009	2,329
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	
At 1 April 2007	–
Impairment loss	<u>2,329</u>
At 31 March 2008, 1 April 2008 and 31 March 2009	<u>2,329</u>
CARRYING VALUES	
At 31 March 2009	<u>–</u>
At 31 March 2008	<u>–</u>

In light of the continuing loss-making of certain subsidiaries situated in the PRC, an impairment assessment has been performed by the directors of the Company to determine the recoverable amount from utilisation of trademark. Having regard to the future plan of the Group, an impairment loss of HK\$2,329,000 (2009: nil) was made to the carrying amounts of the trademark, which had been charged to the consolidated income statement for the year ended 31 March 2008. The recoverable amounts of the impaired trademark represented the future cash inflow as determined by the directors of the Company.

### 21. INVENTORIES

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>6,462</b>	19,022
Work in progress	<b>6,884</b>	8,544
Finished goods	<b><u>14,051</u></b>	<u>16,846</u>
	<b><u>27,397</u></b>	<u>44,412</u>

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 22. TRADE RECEIVABLES

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Trade receivables	<b>18,949</b>	97,549
Less: impairment loss recognised	<b>(5,325)</b>	(30,255)
	<b>13,624</b>	67,294

The Group has a policy of allowing credit period ranging from 3 to 6 months to its trade customers. In addition, for certain customers with long-established relationship and good past repayment history, a longer credit period may be granted. The Group does not hold any collateral over the balances.

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

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Within 3 months	<b>10,938</b>	42,792
4 to 6 months	<b>2,686</b>	19,476
Over 6 months	–	5,026
	<b>13,624</b>	67,294

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

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
At 1 April	<b>30,255</b>	22,836
Impairment losses recognised during the year	<b>5,325</b>	7,481
Reversal of impairment	–	(219)
Bad debts written off	<b>(30,255)</b>	–
Exchange realignment	–	157
At 31 March	<b>5,325</b>	30,255

For the year ended 31 March 2009

## 22. TRADE RECEIVABLES (continued)

At each balance sheet date, the Group's trade receivables are individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss is recognised. The Group does not hold any collateral over these balances.

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

	<b>2009</b>	2008
	<b>HK\$'000</b>	<i>HK\$'000</i>
Neither past due nor impaired	<b>10,938</b>	30,673
Less than 3 month past due	<b>2,686</b>	29,281
4 to 6 months past due	–	6,912
Over 6 months past due	–	428
	<b>13,624</b>	67,294

The Group's neither past due nor impaired trade receivables mainly represent sales made to recognised and creditworthy customers. These customers who trade on credit terms are subject to credit verification procedures. No impairment is required for the past due balances based on the historical payment records.

At 31 March 2009, the Group's trade receivables of approximately HK\$1,398,000 (2008: HK\$40,031,000) were factored to certain banks under certain receivable purchase agreements (the "Factored Receivables"). The Group continued to recognise the Factored Receivables in the consolidated balance sheet because, in the opinion of the directors of the Company, the Group has retained substantially all the risks and rewards of ownership of the Factored Receivables included the risks in respect of default payments, as at the balance sheet date.

Accordingly, the advances from the relevant banks of approximately HK\$1,258,000 (2008: HK\$27,134,000) 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 29).

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 23. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS PAID

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Other receivables	<b>1,002</b>	1,447
Prepayments	<b>3,081</b>	4,273
Deposits paid	<b>276</b>	308
	<hr/> <b>4,359</b> <hr/>	<hr/> 6,028 <hr/>

### 24. INVESTMENT PROPERTIES HELD FOR SALE

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
At 1 April	<b>14,640</b>	–
Disposal	<b>(12,037)</b>	–
Transfer from investment properties	<b>–</b>	14,640
	<hr/> <b>2,603</b> <hr/>	<hr/> 14,640 <hr/>

The Group's investment property held for sale at 31 March 2009 and 2008 was situated in Hong Kong and was held under a medium-term lease.

As at 31 March 2009 and 2008, the Group's investment property was pledged to a bank for banking facilities granted to the Group (note 29(a)(iv)).

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 25. HELD FOR TRADING INVESTMENTS

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Listed equity investment in Hong Kong, at fair value	<b>28</b>	404
Unlisted investments, at fair value	<b>–</b>	3,241
	<b>28</b>	3,645

As at 31 March 2008, the Group's held for trading investments of approximately HK\$3,645,000 (2009: nil) were pledged to banks for banking facilities granted to the Group (note 29(a)(v)).

### 26. PLEDGED FIXED DEPOSITS AND CASH AND BANK BALANCES

Pledged fixed deposits/bank balances comprise short-term bank deposits with maturity of less than three months of approximately HK\$18,641,000 (2008: HK\$12,579,000) at prevailing interest rate or at fixed interest rates ranging from 3.52% to 4.35% (2008: 5.42% to 6.05%) per annum.

### 27. TRADE AND BILLS PAYABLES

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

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Within 3 months	<b>5,994</b>	28,195
4 to 6 months	<b>7,653</b>	17,647
Over 6 months	<b>29,528</b>	15,762
	<b>43,175</b>	61,604

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 28. OTHER PAYABLES AND ACCRUALS

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Other payables	<b>7,267</b>	11,172
Accruals	<b>5,144</b>	9,112
	<b>12,411</b>	20,284

### 29. BANK AND OTHER BORROWINGS

	Effective interest rate		<b>2009</b>	2008
	<b>2009</b>		<b>HK\$'000</b>	HK\$'000
Bank overdrafts	<b>5.25% – 7.5%</b>	6.5% – 7.79%	<b>8,853</b>	3,809
Bank loans	<b>3.25% – 7.5%</b>	5.28% – 7.79%	<b>42,288</b>	89,335
			<b>51,141</b>	93,144
Other loans	<b>Nil – 7.5%</b>	Nil – 7.79%	<b>30,481</b>	28,779
			<b>81,622</b>	121,923
Secured			<b>51,141</b>	93,144
Unsecured			<b>30,481</b>	28,779
			<b>81,622</b>	121,923
Carrying amounts repayable:				
On demand or within one year			<b>59,000</b>	114,063
More than one year, but not exceeding two years			<b>5,401</b>	1,614
More than two years but not more than five years			<b>13,201</b>	1,943
More than five years			<b>4,020</b>	4,303
			<b>81,622</b>	121,923
Less: Amounts due within one year shown under current liabilities			<b>(59,000)</b>	(114,063)
			<b>22,622</b>	7,860



For the year ended 31 March 2009

**29. BANK AND OTHER BORROWINGS** (continued)

- (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\$54,615,000 (2008: HK\$40,696,000) (note 17);
  - (ii) the Group's prepaid lease payments with an aggregate carrying value at the balance sheet date of approximately HK\$8,027,000 (2008: HK\$7,951,000) (note 19);
  - (iii) the Group's investment property of HK\$5,870,000 (2008: HK\$7,360,000) (note 18);
  - (iv) the Group's investment property held for sale of HK\$2,603,000 (2008: HK\$14,640,000) (note 24);
  - (v) the Group's held for trading investments amounting HK\$3,645,000 for the year ended 31 March 2008 (2009: nil) (note 25); and
  - (vi) the Group's pledged fixed deposits amounting to HK\$18,641,000 (2008: HK\$12,579,000) (note 26).
- (b) Except for the secured bank loans and overdrafts aggregating to HK\$7,794,000 (2008: HK\$10,225,000) and HK\$12,196,000 (2008: HK\$13,336,000) which are denominated in Baht and RMB, respectively, all borrowings are in HK\$.
- (c) Loans from directors of the Company of HK\$16,952,000 (2008: HK\$9,263,000) are unsecured, interest-free and have repayment on demand. The remaining loans from directors of the Company of HK\$12,529,000 (2008: HK\$17,316,000) 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 September 2009, November 2009, March 2018 and May 2020.
- (d) The loan from a related company of HK\$1,000,000 (2008: HK\$2,200,000) is unsecured and repayable by 32 monthly instalments of HK\$100,000 each which bears interest at the Hong Kong dollar prime rate.
- (e) As at 31 March 2008, the Group did not comply with certain financial covenants which were 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. As at 31 March 2009, the Group complied with all financial covenants as set out in the respective banking facility agreements.

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 30. OBLIGATIONS UNDER FINANCE LEASES

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:

	Minimum lease payments		Present value of minimum lease payments	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Amounts payable under finance leases:				
Within one year	<b>859</b>	902	<b>832</b>	823
In more than one year but not more than two years	<b>66</b>	859	<b>65</b>	832
In more than two years but not more than five years	<b>–</b>	66	<b>–</b>	65
	<b>925</b>	1,827	<b>897</b>	1,720
Less: Future finance charges	<b>(28)</b>	(107)	<b>N/A</b>	N/A
Present value of lease obligations	<b>897</b>	1,720	<b>897</b>	1,720
Less: Amount due for settlement within 12 months (shown under current liabilities)			<b>(832)</b>	(823)
Amount due for settlement after 12 months			<b>65</b>	897

For the year ended 31 March 2009

### 30. OBLIGATIONS UNDER FINANCE LEASES (continued)

It is the Group's policy to lease certain of its machineries under finance lease. The average lease term is 2 years (2008: 3 years). For the year ended 31 March 2009, the average effective borrowing rate was 7.9% to 9.75 % (2008: 7.9% – 9.75%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

All obligations under finance leases are denominated in HK\$.

### 31. DEFERRED TAX

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

	<b>Other temporary differences – property, plant and equipment</b>	<b>Estimated tax losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007	(402)	24,197	23,795
Movement for the year	<u>(61)</u>	<u>5,596</u>	<u>5,535</u>
At 31 March 2008 and 1 April 2008	(463)	29,793	29,330
Effect of change in tax rate	26	(1,806)	(1,780)
Movement for the year	<u>(45)</u>	<u>7,205</u>	<u>7,160</u>
<b>At 31 March 2009</b>	<b><u>(482)</u></b>	<b><u>35,192</u></b>	<b><u>34,710</u></b>

No deferred tax assets attributable to tax losses of the Group has been recognised for both years due to unpredictability of future profit streams. At the balance sheet date, the Group had unexpired estimated tax losses available for off-setting future taxable profits of approximately HK\$213,285,000 (2008: HK\$170,246,000) respectively. The tax losses may be carried forward indefinitely.

No deferred tax liability attributable to temporary difference of the Group has been recognised for both years. Due to the deferred tax liability is absorbed by tax losses, no deferred tax liability has been recognised. At the balance sheet date, the Group had temporary difference of approximately HK\$2,921,000 (2008: HK2,646,000).

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 32. SHARE CAPITAL

	Number of shares		Share capital	
	2009 '000	2008 '000	2009 HK\$'000	2008 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
At 1 April	<u>500,000</u>	<u>500,000</u>	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:				
At the beginning of the year	<u>409,838</u>	<u>401,838</u>	<u>40,984</u>	<u>40,184</u>
Exercise of share options	<u>4,200</u>	<u>8,000</u>	<u>420</u>	<u>800</u>
At 31 March	<u>414,038</u>	<u>409,838</u>	<u>41,404</u>	<u>40,984</u>

During the year ended 31 March 2009 and 2008, the movements in share capital were due to the issuance of 4,200,000 (2008: 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\$924,000 (2008: HK\$1,760,000).

The new share rank pari passu with the existing shares in all respects.

For the year ended 31 March 2009

### 33. SHARE OPTION SCHEME

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

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

Purpose	To provide incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the “Invested Entity”).
Participants	<ul style="list-style-type: none"><li>(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;</li><li>(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</li><li>(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.</li></ul>
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	41,403,800 ordinary shares and approximately 10% of the issued share capital.

For the year ended 31 March 2009

### 33. SHARE OPTION SCHEME (continued)

Maximum entitlement of each participant

Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting.

Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and
- (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000,

such grant or further grant of options must be approved by the shareholders in a general meeting.

For the year ended 31 March 2009

### 33. SHARE OPTION SCHEME (continued)

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.
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.

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 33. SHARE OPTION SCHEME (continued)

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

#### For the year ended 31 March 2009

	Exercise period	Exercise Price*	Number of share options				
			Balance at 1 April 2008	Granted	Exercised	Lapsed/ cancelled	Balance at 31 March 2009
Director	23/10/2007 – 22/10/2009	HK\$0.22	8,000,000	-	(4,000,000)	-	4,000,000
Employee	23/8/2008 – 22/8/2010	HK\$0.22	1,200,000	-	(200,000)	-	1,000,000
			<u>9,200,000</u>	<u>-</u>	<u>(4,200,000)</u>	<u>-</u>	<u>5,000,000</u>
Exercisable at the end of the year							<u>5,000,000</u>
Weighted average exercise price (HK\$)			<u>0.22</u>	<u>-</u>	<u>0.22</u>	<u>-</u>	<u>0.22</u>

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.43.



## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 33. SHARE OPTION SCHEME (continued)

For the year ended 31 March 2008

	Exercise period	Exercise Price*	Number of share options				Balance at 31 March 2008
			Balance at 1 April 2007	Granted	Exercised	Lapsed/cancelled	
Director	21/5/2004 – 20/5/2007	HK\$0.18	530,000	-	-	(530,000)	-
Director	21/1/2005 – 20/5/2007	HK\$0.18	530,000	-	-	(530,000)	-
Director	21/9/2005 – 20/5/2007	HK\$0.18	530,000	-	-	(530,000)	-
Director	23/10/2007 – 22/10/2009	HK\$0.22	-	16,000,000	(8,000,000)	-	8,000,000
Employee	23/8/2007 – 22/8/2010	HK\$0.22	-	1,600,000	-	(400,000)	1,200,000
			<u>1,590,000</u>	<u>17,600,000</u>	<u>(8,000,000)</u>	<u>(1,990,000)</u>	<u>9,200,000</u>
Exercisable at the end of the year							<u>9,200,000</u>
Weighted average exercise price (HK\$)			<u>0.18</u>	<u>0.22</u>	<u>0.22</u>	<u>0.19</u>	<u>0.22</u>

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.27.

\* 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.

For the year ended 31 March 2009

**33. SHARE OPTION SCHEME** (continued)

The fair value of the share options granted during the year 31 March 2008 was HK\$1,223,000 (HK\$0.0695 each) of which the Group recognised a share option expense of HK\$33,000 in the year ended 31 March 2009 (2008: HK\$1,163,000).

The fair value of equity-settled share options granted during the year ended 31 March 2008 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:

**23 August 2007**

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.

During the year ended 31 March 2009, the 4,200,000 share options exercised resulted in the issue of 4,200,000 (2008: 8,000,000) ordinary shares of the Company and new share capital of HK\$420,000 (2008: HK\$800,000) and share premium of HK\$504,000 (2008: HK\$960,000).

As at 31 March 2009, the Company had 5,000,000 (2008: 9,200,000) share options outstanding under the Scheme.

At the date of approval of these consolidated financial statements, the Company had 5,000,000 (2008: 9,200,000) share options outstanding under the Scheme, which represented approximately 1.2% (2008: 2.2%) of the Company's shares in issue as at that date.

For the year ended 31 March 2009

### 34. COMMITMENTS

#### (a) Operating lease commitments

##### *The Group as lessor*

The Group leases its investment property (note 18) and 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:

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Within one year	–	268
In the second to fifth years, inclusive	–	437
	<hr/>	<hr/>
	<b>–</b>	<b>705</b>
	<hr/>	<hr/>

The properties are expected to generate rental yields of approximately 4% on an ongoing basis for both years.

##### *The Group 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 2009, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>360</b>	300
In the second to fifth years inclusive	<b>330</b>	–
	<hr/>	<hr/>
	<b>690</b>	300
	<hr/>	<hr/>

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 34. COMMITMENTS (continued)

#### (b) Capital commitments

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

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Contracted for but not provided in respect of purchases of property, plant and equipment	–	2,951

### 35. RELATED PARTY TRANSACTIONS

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

	Notes	<b>2009</b>	2008
		<b>HK\$'000</b>	HK\$'000
Interest expenses paid to directors	(i)	<b>310</b>	246
Interest expenses paid to a related company	(ii)	<b>182</b>	169
Rental expense paid to directors		<b>195</b>	195
Rental income received from a related company		<b>60</b>	60

Notes:

- (i) The interest expenses paid to directors of the Company arose from the loans advanced from the directors during the two years ended 31 March 2009 and 2008. Further details of the loans are disclosed in note 29.
- (ii) The interest expenses 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 two years ended 31 March 2009 and 2008. Further details of the loan are disclosed in note 29.

For the year ended 31 March 2009

### 35. RELATED PARTY TRANSACTIONS (continued)

(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 29.
- (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 29.

(c) Other transaction with related parties:

During the year ended 31 March 2008, the Group disposed of certain of its prepaid lease payment and buildings situated in Hong Kong at aggregate carrying values of HK\$134,000 and HK\$595,000, respectively, to certain directors of the Company for a cash consideration of HK\$5,980,000.

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

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Short-term employee benefits	<b>4,254</b>	9,155
Post-employment benefits	<b>114</b>	122
Equity-settled share-based payments	<b>—</b>	1,112
	<hr/>	<hr/>
Total compensation paid to key management personnel	<b>4,368</b>	10,389
	<hr/>	<hr/>

The remuneration of directors and key executives is determined by the remuneration committee and having regard to the performance of individuals and market trends.

Further details of directors' emoluments are included in note 12.

### 36. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2008, 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.

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 37. PRINCIPAL SUBSIDIARIES

Particulars of the Group's principal subsidiaries as at 31 March 2009 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
			2009	2008	
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 <sup>1</sup>	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 <sup>2</sup>	PRC	HK\$93,000,000	100	100	Manufacture of laminates
Nam Hing Circuit Board (Dongguan) Co., Ltd <sup>2, 3</sup>	PRC	HK\$38,376,800/ HK\$40,000,000	100	100	Manufacture of printed circuit boards
Suzhou Nam Hing Industrial Laminate Co., Ltd <sup>2</sup>	PRC	US\$6,800,000	100	100	Manufacture of laminates
Zhongshan Chung Yuen Electronic Applied Materials Company Limited <sup>2</sup>	PRC	HK\$2,000,000	100	100	Manufacture of laminates

## Notes to Consolidated Financial Statements

For the year ended 31 March 2009

### 37. PRINCIPAL 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
			2009	2008	
Zhu Hai Nam Hing Long Electronics Company Limited <sup>2</sup>	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 <sup>2</sup>	PRC	HK\$320,000/ HK\$1,000,000	100	100	Not yet commenced business

<sup>1</sup> Non-voting deferred shares.

<sup>2</sup> These subsidiaries are registered as wholly-foreign-owned enterprises under PRC laws.

<sup>3</sup> 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.

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.

None of the subsidiaries had issued any debt securities subsisting at the end of the year or any time during the year.

### 38. POST BALANCE SHEET EVENT

Subsequent to 31 March 2009, the investment properties held for sale as detailed in note 24 was disposed to an independent third party at a consideration of approximately HK\$4,642,000 on 18 July 2009.

### 39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm with current year's presentation.