

The background of the entire page is a photograph of an industrial facility, likely a factory or processing plant. In the foreground, there is a large, white and blue industrial machine, possibly a CNC lathe or mill, with a worker in a light green shirt standing next to it. The machine has 'HYDACH' written on its side. The background shows a large white building with several windows and chimneys, and a paved area leading towards the building. The sky is clear and blue.

## Interim Report

[2009/2010]



## NAM HING HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 986)

## CORPORATE INFORMATION

### Directors

Mr. Lau Chung Yim (*Chairman, Managing Director and Chief Executive Officer*)

Ms. Lau May Wah

Ms. Deng Hong Mei

Mr. Pravith Vaewhongs\*

Mr. Yau Kwan Shan\*

\* *Independent Non-executive Directors*

### Company Secretary

Mr. Chan Kwok Choi, Stanley

### Audit Committee

Mr. Yau Kwan Shan (*Chairman*)

Mr. Pravith Vaewhongs

### Remuneration Committee

Mr. Lau Chung Yim (*Chairman*)

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

Bank of China (Hong Kong) Limited

Shanghai Commercial Bank Limited

### Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (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

## UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Nam Hing Holdings Limited (the “Company”) announces as follows the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2009, together with the comparative figures for the corresponding previous period. These interim results have not been audited or reviewed by the Company’s auditors, but have been reviewed by the Company’s Audit Committee.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>Six months ended</b>	
		<b>30 September</b>	
	Notes	<b>2009</b>	2008
		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
REVENUE	3	<b>37,407</b>	87,136
Cost of sales		<u><b>(35,079)</b></u>	<u>(89,466)</u>
Gross profit/(loss)		<b>2,328</b>	(2,330)
Other income and gains		<b>2,105</b>	14,230
Selling and distribution costs		<b>(1,595)</b>	(2,780)
Administrative expenses		<b>(8,724)</b>	(12,514)
Other expenses		<b>(1,049)</b>	(756)
Finance costs		<u><b>(1,747)</b></u>	<u>(3,352)</u>
LOSS BEFORE TAX	4	<b>(8,682)</b>	(7,502)
Tax	5	<u><b>(2)</b></u>	<u>–</u>
LOSS FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		<u><b>(8,684)</b></u>	<u>(7,502)</u>
INTERIM DIVIDEND	6	<u>–</u>	<u>–</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic		<u><b>HK(2.0753) cents</b></u>	<u>HK(1.8274) cents</u>
Diluted		<u><b>N/A</b></u>	<u>N/A</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>30 September 2009</b>	31 March 2009
	Notes	<b>HK\$'000</b> <b>(Unaudited)</b>	HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>79,071</b>	79,315
Investment properties		<b>5,870</b>	5,870
Prepaid land lease payments		<b>14,923</b>	14,926
		<hr/>	<hr/>
Total non-current assets		<b>99,864</b>	100,111
<b>CURRENT ASSETS</b>			
Inventories		<b>25,459</b>	27,397
Trade receivables	8	<b>15,250</b>	13,624
Other receivables, prepayments and deposits paid		<b>2,968</b>	4,359
Investment properties held for sale		–	2,603
Held for trading investments		<b>39</b>	28
Tax recoverable		<b>908</b>	70
Pledged fixed deposits		<b>12,024</b>	18,641
Cash and bank balances		<b>489</b>	1,635
		<hr/>	<hr/>
Total current assets		<b>57,137</b>	68,357
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	<b>28,400</b>	43,175
Other payables and accruals		<b>12,332</b>	12,411
Bank and other borrowings		<b>75,860</b>	59,000
Obligations under finance leases		<b>401</b>	832
		<hr/>	<hr/>
Total current liabilities		<b>116,993</b>	115,418
<b>NET CURRENT LIABILITIES</b>		<b>(59,856)</b>	(47,061)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>40,008</b>	53,050
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>41,843</b>	41,404
Reserves		<b>(19,847)</b>	(11,041)
		<hr/>	<hr/>
		<b>21,996</b>	30,363
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings		<b>17,947</b>	22,622
Obligations under finance leases		<b>65</b>	65
		<hr/>	<hr/>
		<b>18,012</b>	22,687
		<hr/>	<hr/>
		<b>40,008</b>	53,050
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share Premium HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Exchange equalisation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2008 (audited)	40,984	126,227	607	2,031	25,668	464	(81,602)	114,379
Exchange differences on translation of the financial statements of overseas subsidiaries	-	-	-	-	(2,208)	-	-	(2,208)
Total income and expense for the period recognised directly in equity	-	-	-	-	(2,208)	-	-	(2,208)
Loss for the period	-	-	-	-	-	-	(7,502)	(7,502)
Total income and expense for the period	-	-	-	-	(2,208)	-	(7,502)	(9,710)
Issue of share	420	504	-	-	-	-	-	924
At 30 September 2008 (unaudited)	<u>41,404</u>	<u>126,731</u>	<u>607</u>	<u>2,031</u>	<u>23,460</u>	<u>464</u>	<u>(89,104)</u>	<u>105,593</u>
At 1 April 2009 (audited)	41,404	127,008	363	2,031	23,100	464	(164,007)	30,363
Exchange differences on translation of the financial statements of overseas subsidiaries	-	-	-	-	(652)	-	-	(652)
Total income and expense for the period recognised directly in equity	-	-	-	-	(652)	-	-	(652)
Loss for the period	-	-	-	-	-	-	(8,684)	(8,684)
Total income and expense for the period	-	-	-	-	(652)	-	-	(9,336)
Issue of share	440	529	-	-	-	-	-	969
At 30 September 2009 (unaudited)	<u>41,844</u>	<u>127,537</u>	<u>363</u>	<u>2,031</u>	<u>22,448</u>	<u>464</u>	<u>(172,691)</u>	<u>21,996</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended</b>	
	<b>September</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash inflow from operating activities	<b>2,568</b>	6,516
Net cash inflow from investing activities	<b>583</b>	4,337
Net cash (outflow) from financing activities	<b>(9,175)</b>	(23,755)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	<b>(6,024)</b>	(12,902)
Cash and cash equivalents at 1 April	<b>1,635</b>	(1,272)
Foreign exchange adjustments	<b>(652)</b>	2,031
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	<b>(5,041)</b>	(12,143)
	<hr/>	<hr/>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>489</b>	970
Bank overdrafts, secured	<b>(5,530)</b>	(13,113)
	<hr/>	<hr/>
	<b>(5,041)</b>	(12,143)
	<hr/>	<hr/>

## NOTES

### 1. Basis of presentation

The condensed consolidated interim financial statements for the six months ended 30 September 2009 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

### 2. Accounting policies

The condensed consolidated interim financial statements have been prepared on the historical cost convention as modified for the revaluation of certain financial assets and liabilities at fair value. The accounting policies used in these condensed consolidated interim financial statements are consistent with those used in the Group’s annual audited financial statements for the year ended 31 March 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments

## 2. Accounting policies (continued)

HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3). The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.



## 2. Accounting policies (continued)

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>3</sup>
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of Right Issues <sup>4</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>5</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>5</sup>
HKFRS 3 (Revised 2008)	Business Combinations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>

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

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new, revised or amended standards and interpretations will have no material impact on the results and the financial position of the Group.

### 3. Segment Information

The Group's primary format for reporting segment information is business segment.

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

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

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.

### 3. Segment information (continued)

An analysis of the Group's revenues and results for the current period by business segment, together with the comparative amounts for the corresponding period of 2008, is as follows:

	Six months ended 30 September 2009				Consolidated HK\$'000 (Unaudited)
	Manufacture and sale of laminates HK\$'000 (Unaudited)	Manufacture and sale of PCBs HK\$'000 (Unaudited)	Manufacture and sale of copper foils HK\$'000 (Unaudited)	Elimination HK\$'000 (Unaudited)	
Segment revenue:					
Sales to external customers	13,504	22,970	933	-	37,407
Intersegment sales	5,287	-	3,857	(9,144)	-
Other revenue	3,455	331	(1,061)	(620)	2,105
Total	<u>22,246</u>	<u>23,301</u>	<u>3,729</u>	<u>(9,764)</u>	<u>39,512</u>
Segment results	<u>(1,523)</u>	<u>(649)</u>	<u>(4,095)</u>		<u>(6,267)</u>
Interest income					29
Unallocated expenses					(697)
Finance costs					<u>(1,747)</u>
Loss before tax					(8,682)
Tax					<u>(2)</u>
Loss for the period					<u>(8,684)</u>

### 3. Segment information (continued)

	Six months ended 30 September 2008				Consolidated HK\$'000 (Unaudited)
	Manufacture and sale of laminates HK\$'000 (Unaudited)	Manufacture and sale of PCBs HK\$'000 (Unaudited)	Manufacture and sale of copper foils HK\$'000 (Unaudited)	Elimination HK\$'000 (Unaudited)	
Segment revenue:					
Sales to external customers	42,144	44,085	907	-	87,136
Intersegment sales	10,901	-	14,737	(25,638)	-
Other revenue	14,177	196	1,037	(1,180)	14,230
Total	<u>67,222</u>	<u>44,281</u>	<u>16,681</u>	<u>(26,818)</u>	<u>101,366</u>
Segment results	<u>(1,608)</u>	<u>259</u>	<u>(1,737)</u>		(3,086)
Interest income					130
Unallocated expenses					(1,194)
Finance costs					<u>(3,352)</u>
Loss before tax					(7,502)
Tax					<u>-</u>
Loss for the period					<u>(7,502)</u>

### 4. Loss before tax

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

	Six months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Staff costs		
- Salaries and wages	<b>9,048</b>	14,323
- Share-based payment expenses	<b>96</b>	127
Depreciation and amortisation	<b>2,525</b>	7,867
Gain on disposal of investment property held for sale	<b>(1,688)</b>	(10,267)
Foreign exchange loss, net	<b>72</b>	1,695
	<u>9,033</u>	<u>14,745</u>

## 5. Tax

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax		
Hong Kong profits tax	-	-
Outside Hong Kong	<u>2</u>	<u>-</u>
Tax charge for the period	<u><b>2</b></u>	<u>-</u>

### *Hong Kong profits tax*

Hong Kong profits tax for the six months ended 30 September 2009 was provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong during the period. 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 six months ended 30 September 2009 and 30 September 2008.

### *Overseas income tax*

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

## 6. Interim dividend

The Board did not propose to declare an interim dividend for the six months ended 30 September 2009 (2008: Nil).

## 7. Loss per share attributable to ordinary equity holders of the parent

### (a) Basic loss per share

The calculation of the basic loss per share for the six months ended 30 September 2009 is based on the loss for the period attributable to ordinary equity holders of the parent of HK\$8,684,000 (2008: loss of HK\$7,502,000) and the weighted average number of 418,438,800 (2008: 410,524,000) ordinary shares in issue during the period.

### (b) Diluted loss per share

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

No disclosure of diluted loss per share for the six months ended 30 September 2009 and 30 September 2008 is presented as the exercise of share options would decrease the loss per share.

## 8. Trade receivables

	<b>30 September 2009 HK\$'000 (Unaudited)</b>	31 March 2009 HK\$'000 (Audited)
Trade receivables	<b>15,730</b>	18,949
Less: impairment loss recognised	<b>(480)</b>	(5,325)
	<b>15,250</b>	13,624

## 8. Trade receivables (continued)

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

	<b>30 September 2009 HK\$'000 (Unaudited)</b>	31 March 2009 HK\$'000 (Audited)
Within 3 months	<b>12,936</b>	10,938
4 to 6 months	<b>901</b>	2,686
Over 6 months	<b>1,413</b>	–
	<b>15,250</b>	13,624

## 9. Trade and bills payables

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

	<b>30 September 2009 HK\$'000 (Unaudited)</b>	31 March 2009 HK\$'000 (Audited)
Within 3 months	<b>8,013</b>	5,994
4 to 6 months	<b>5,311</b>	7,653
Over 6 months	<b>15,076</b>	29,528
	<b>28,400</b>	43,175

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Prospects

The consolidated turnover of the Group for the six months ended 30 September 2009 was HK\$37,407,000, representing a 57% decrease from HK\$87,136,000 of the corresponding period last year. The loss of the Group increased from HK\$7,502,000 for the six months ended 30 September 2008 to HK\$8,684,000 for the six months ended 30 September 2009.

Operating loss was mainly due to the adverse business environment for the whole Group, particularly for the industrial laminate division. The global economic downturn arising from the financial tsunami in the previous year continued in the period under review.

In order for the Group to restore in growth opportunity, the Group is trying to look for new investment opportunities in business other than its core industrial laminate and printed circuit board businesses.

### *Industrial Laminate Division*

During the six months ended 30 September 2009, the industrial laminate division achieved a turnover of HK\$13,504,000 (2008: HK\$42,144,000), which represented approximately 36% of the Group's turnover and a decrease of 68% as compared with the corresponding period of the previous year. The business continued to sustain a heavy loss due to adverse economic conditions. Sales orders for the period significantly decreased because of the drop in market demand and strong competition.

The laminate division introduced measures to deal with the adverse operating environment. Measures implemented included reduction in general administration costs, careful evaluation of potential customers and stringent control of collectability of trade debts of existing customers.

Stock level was reduced to the minimal in order to reduce storage costs. Sales orders were carefully selected to reduce the risk of doubtful debts.

Production in the Suzhou factory ceased and maintenance costs were reduced to the minimum. The Group is also looking for opportunities to dispose of the production plant and machinery as the management is not expecting to re-start the production in Suzhou due to the current adverse environment.



## **MANAGEMENT DISCUSSION AND ANALYSIS (continued)**

### **Business Review and Prospects (continued)**

#### ***Printed Circuit Board (PCB) Division***

For the six months ended 30 September 2009, the PCB division recorded a turnover of HK\$22,970,000 (2008: HK\$44,085,000), which accounted for approximately 61% of the Group's turnover and represented a decrease of 48% as compared with the corresponding period of the previous year.

The Group planned to focus more on the PCB business in the coming years. Emphasis will be placed on exploring more customers, in particular in the overseas markets, in order to maintain the sales at an optimal level. The marketing team will attend various trade shows in order to explore further business opportunities.

The plant in Zuhai, Mainland China has not yet commenced operation as the management considers that the breakeven point will not be achieved at the current level of sales. The management may also consider the possibility of disposal of the plant given the limited financial resources available to the Group.

#### ***Copper Foil Division***

For the six months ended 30 September 2009, the copper foil plant in Thailand recorded a loss of HK\$4,095,000 (2008: loss of HK\$2,015,000) due to the sustained high prices of copper and other production materials. Stringent cost control measures will be implemented to minimize the loss.

#### ***Conclusion***

The Group has experienced high production costs and heavy margin squeezing in the past year. Weak operating results have also exerted considerable pressure on the Group's cashflow position. The Group will continue to implement a series of cost reduction measures to ease the situation and will also explore various opportunities to enhance the current business model.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business Review and Prospects (continued)

#### *Conclusion (continued)*

On the other hand, the Group considers that an introduction of new investments to diversify the business is favourable to the Group. For this reason, subsequent to the balance sheet date, a memorandum of understanding has been reached between the Group and a car battery production company regarding a possible acquisition of car battery production business. The Group expects that this possible acquisition, if completed, may bring to the Group new business growth opportunities.

#### **Liquidity and Financial Resources**

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

As at 30 September 2009, the Group's total cash and bank balances and pledged fixed deposits amounted to HK\$12,513,000 (31 March 2009: HK\$20,276,000). The total interest-bearing bank loans and other borrowings increased from HK\$81,622,000 as at 31 March 2009 to HK\$93,807,000 as at 30 September 2009. Finance costs incurred decreased from HK\$3,352,000 for the six months ended 30 September 2008 to HK\$1,747,000 for the six months ended 30 September 2009. The Group's gearing ratio, being the net debt divided by total shareholders' equity plus net debt, also decreased to 0.57 as compared 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. The Group has a current ratio of 0.49 (31 March 2009: 0.59) and net current liabilities of HK\$59,856,000 as at 30 September 2009 (31 March 2009: HK\$47,061,000).

The overall financial position of the Group as at 30 September 2009 is less favourable as compared with that as at 30 September 2008 because of the operating loss incurred during the period. The management considers the current bank borrowing level and gearing ratio to be at a reasonable level but will put immediate efforts into restoring, through certain financing activities, the net current liability situation arising from the mismatch of short-term and long-term borrowings in previous years. Subsequent to the balance sheet date, the Company has entered into a placing agreement with a placing agent in order to raise funds from placing of the Company shares, the details of which were contained in the Company's announcement dated 17 December 2009. In addition, the management has already implemented plans to dispose of certain non-operating properties and assets to provide additional working capital for the Group's operation.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Liquidity and Financial Resources (continued)

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

	<b>30 September 2009 HK\$'000 (Unaudited)</b>	31 March 2009 HK\$'000 (Audited)
Repayable within one year	<b>75,860</b>	59,000
Repayable in the second year	<b>5,353</b>	5,401
Repayable in the third to fifth years, inclusive	<b>9,950</b>	13,201
Repayable beyond five years	<b>2,644</b>	4,020
	<b>93,807</b>	81,622

The Group's borrowings and cash and bank balances are primarily denominated in Hong Kong dollars, Thai Baht and Renminbi ("RMB"). Given the continuous revaluation of the Thai Baht and RMB, the Group is expected to experience pressures on its operating costs.

### Contingent Liabilities

As at 30 September 2009, the Company had guarantees given to banks in connection with facilities granted to its subsidiaries to the extent of approximately HK\$82,275,000 (31 March 2009: HK\$93,571,000), of which HK\$60,086,000 (31 March 2009: HK\$64,578,000) have been utilised at balance sheet date.

### Pledge of Assets

As at 30 September 2009, the Group's assets pledged as security for banking facilities amounted to approximately HK\$83,178,000 (31 March 2009: HK\$93,401,000).

### Employment, Training and Remuneration Policy

During the current period 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 477 employees as at 30 September 2009 (31 March 2009: 519). Remunerations are commensurate with the nature of jobs, experience and market conditions. Eligible employees are offered discretionary bonuses and share options depending on the Group's performance and individual effort. The principle is reward for performance.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2009, the interests of the directors of the Company in the shares of the Company which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (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:

### Long position in ordinary shares of the Company:

Name of director	Capacity	Notes	Number of ordinary shares of the Company interested	Percentage <sup>1</sup> of the Company's issued share capital
Mr. Lau Kwai <sup>#</sup>	Beneficial owner		1,500,000	0.35
	Founder of a discretionary trust	(a)	87,696,000	20.96
	Founder of a discretionary trust	(b)	30,000,000	7.17
	Founder of a discretionary trust	(c)	250,000	0.06
			<u>119,446,000</u>	<u>28.54</u>
Mr. Lau Chung Yim	Beneficial owner		546,000	0.13
	Beneficiary of a discretionary trust	(a)	87,696,000	20.96
	Beneficiary of a discretionary trust	(b)	30,000,000	7.17
			<u>118,242,000</u>	<u>28.26</u>
Mr. Lau Chung Hung <sup>#</sup>	Beneficial owner		13,098,000	3.13
	Beneficiary of a discretionary trust	(a)	87,696,000	20.96
			<u>100,794,000</u>	<u>24.09</u>
Mr. Lau Hing Hai <sup>#</sup>	Beneficial owner		2,000,000	0.48
	Beneficiary of a discretionary trust	(a)	87,696,000	20.96
	Beneficiary of a discretionary trust	(c)	250,000	0.06
			<u>89,946,000</u>	<u>21.50</u>
Ms. Lau May Wah	Beneficial owner		219,200	0.05
	Beneficiary of a discretionary trust	(a)	87,696,000	20.96
			<u>87,915,200</u>	<u>21.01</u>
Mr. Leung Hon Ming <sup>#</sup>	Beneficial owner		150,000	0.03

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

### **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. Woohei Inc. subsequently sold all these shares in November 2009.
  - (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. Dragon Power Inc. subsequently sold all these shares in November 2009.
  - (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.
- # Subsequent to 30 September 2009, Mr. Lau Kwai, Mr. Leung Hon Ming, Mr. Lau Chung Hung and Mr. Lau Hing Hai resigned as directors of the Company on 1 November 2009, 19 November 2009, 16 December 2009 and 16 December 2009 respectively.
- † The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2009.

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

In addition to the above, as at 30 September 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 30 September 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 period 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 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.

## SHARE OPTION SCHEME (continued)

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

Name or category of participant	Number of share options					Outstanding at 30 September 2009	Date of grant of share options	Exercise period of share options**	Exercise price of share options*** HK\$ per share
	Outstanding at 1 April 2009	Granted during the period	Exercised during the period*	Lapsed during the period	Cancelled during the period				
<b>Director</b>									
Ms. Lau May Wah	4,000,000	-	(4,000,000)	-	-	-	20 Sep 2007	23 Oct 2007 to 22 Oct 2009	0.22
<b>Other employees working under continuous employment contracts</b>									
- In aggregate	1,000,000	-	(400,000)	-	-	600,000	20 Sep 2007	23 Aug 2008 to 22 Aug 2010	0.22
	<u>5,000,000</u>	<u>-</u>	<u>(4,400,000)</u>	<u>-</u>	<u>-</u>	<u>600,000</u>			

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

- \* The weighted average closing price of shares immediately before the dates on which the options were exercised was HK\$0.53.
- \*\* 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.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2009, the following parties, not being a director or chief executive of the Company, had interests in the 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:

### Long position in ordinary shares of the Company:

Name of substantial shareholder	Capacity	Notes	Number of ordinary shares of the Company interested	Percentage <sup>†</sup> of the Company's issued share capital
Ms. Chan Ka Lam	Interest of spouse	(a)	89,946,000	21.50
Ms. Fong Shun Yum	Interest of spouse	(b)	119,446,000	28.54
Mr. Lo Tin Yuen	Interest of spouse	(c)	87,915,200	21.01
Ms. Tam Wai Ling, Josephine	Interest of spouse	(d)	118,242,000	28.26
Ms. Wong Yuk Ching	Interest of spouse	(e)	100,794,000	24.09
Woohei Inc.	Trustee	(f)	87,696,000	20.96
Dragon Power Inc.	Trustee	(f)	30,000,000	7.17
Infiniti Trust (Asia) Limited	Trustee	(f) & (g)	117,696,000	28.13
Sun Tak Sing	Beneficial owner		39,132,000	9.35
Chen Zhong	Beneficial owner		44,530,000	10.64
Xu Dong	Beneficial owner		44,530,000	10.64

Notes:

- (a) Ms. Chan Ka Lam was deemed to be interested in 89,946,000 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 119,446,000 shares of the Company through the interest of her spouse, Mr. Lau Kwai.
- (c) Mr. Lo Tin Yuen was deemed to be interested in 87,915,200 shares of the Company through the interest of his spouse, Ms. Lau May Wah.
- (d) Ms. Tam Wai Ling, Josephine was deemed to be interested in 118,242,000 shares of the Company through the interest of her spouse, Mr. Lau Chung Yim.



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

### **Long position in ordinary shares of the Company: (continued)**

- (e) Ms. Wong Yuk Ching was deemed to be interested in 100,794,000 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) Infiniti Trust (Asia) Limited (formerly known as MeesPierson Trust (Asia) Limited) was the trustee of The Lau Kwai Trust and The Jopat Trust and was therefore deemed to be interested in the 87,696,000 shares indirectly owned by The Lau Kwai Trust and 30,000,000 shares indirectly owned by The Jopat Trust.
- † The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2009.

Save as disclosed herein, as at 30 September 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.

## **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 six months ended 30 September 2009.

## **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY**

The Company has adopted its code of conduct regarding directors' dealings in the securities of the Company (the "Own Code") on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors of the Company, the directors of the Company have complied with the required standard set out in the Model Code and the Own Code throughout the accounting period covered by this interim report.

## **COMPLIANCE WITH THE WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY**

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or an employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. Having made specific enquiry of the Relevant Employees, the Relevant Employees have complied with the required standard set out in the Model Code and the Written Guidelines throughout the accounting period covered by this interim report.

## **AUDIT COMMITTEE**

The Audit Committee of the Company comprises two members, being the two existing independent non-executive directors of the Company. The Audit Committee has reviewed the Company's unaudited consolidated interim financial statements for the six months ended 30 September 2009 and discussed auditing, financial and internal control, and financial reporting matters of the Company.

## UPDATE ON DIRECTORS' INFORMATION

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

- Mr. Lau Kwai, the father of Mr. Lau Chung Yim and Ms. Lau May Wah (both are executive directors of the Company) and Mr. Lau Chung Pun, Daniel (Assistant General Manager of the Company's subsidiary), has resigned as an executive director of the Company and the Chairman of the Board with effect from 1 November 2009 and has ceased as the deemed substantial shareholder of the Company with effect from 17 November 2009;
- Mr. Lau Chung Yim, an executive director, the Managing Director and the Chief Executive Officer of the Company, has been appointed as the Chairman of the Board with effect from 1 November 2009;
- With effect from 17 November 2009, Mr. Lau Chung Yim and Ms. Lau May Wah (both are executive directors of the Company) have ceased as the deemed substantial shareholders of the Company; and
- Mr. Lau Chung Hung and Mr. Lau Hing Hai, the brothers of Mr. Lau Chung Yim and Ms. Lau May Wah (both are executive directors of the Company) and Mr. Lau Chung Pun, Daniel (Assistant General Manager of the Company's subsidiary), have ceased as the deemed substantial shareholders of the Company with effect from 17 November 2009 and have resigned as executive directors of the Company with effect from 16 December 2009.

## CORPORATE GOVERNANCE

The Board is of the view that, except for code provision E.1.3, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 September 2009.

Code provision E.1.3 stipulates that notice of an annual general meeting to shareholders of a listed issuer should be sent at least 20 clear business days before the meeting. The Company sent notice of its annual general meeting held on 30 September 2009 to its shareholders on 7 September 2009, which was less than 20 clear business days before the meeting. Due to the postponement of holding of the Company's board meeting for, among other matters, approving the annual results of the Group for the year ended 31 March 2009, the sending of notice of the Company's annual general meeting was delayed. Though the Company was unable to comply with the foregoing code provision, it fulfilled the requirement of the Company's Bye-laws to give not less than 21 clear days notice for the annual general meeting.

## CORPORATE GOVERNANCE (continued)

Subsequent to 30 September 2009, the Company has not complied with the following code provisions set out in the CG Code:

– **Code provision A.2.1**

This code provision stipulates that the roles of chairman and chief executive officer of a listed issuer should be separate and should not be performed by the same individual. With effect from 1 November 2009, Mr. Lau Kwai, the founder of the Group, has resigned as an executive director and the Chairman of the Board of the Company due to his retirement, and Mr. Lau Chung Yim, an existing executive director, the Managing Director and the Chief Executive Officer of the Company, was appointed as the Chairman of the Board on the same date. Accordingly, Mr. Lau Chung Yim currently holds the offices of Chairman and Chief Executive Officer of the Company. Mr. Lau Chung Yim has over 30 years' experience in the production of laminates and printed circuit boards. The Board considers that Mr. Lau is the most suitable person among the Board members to guide discussions between directors on the Group's development and planning, as well as to execute business strategies of the Group. As such, this structure is appropriate to the Group.

– **Code provision B.1.1**

This code provision stipulates that a majority of the members of a listed issuer's remuneration committee should be independent non-executive directors. Mr. Leung Hon Ming ("Mr. Leung") has resigned as an independent non-executive director and a member of both the Audit Committee and the Remuneration Committee of the Company with effect from 19 November 2009. Immediately following the said resignation of Mr. Leung, the Company is unable to comply with this code provision as the Company's Remuneration Committee are left with two members, namely Mr. Lau Chung Yim (an executive director) and Mr. Pravith Vaewhongs (an independent non-executive director). The Company shall appoint a new member, being an independent non-executive director, to fill the vacancy as soon as practicable.

## **DISCLOSURES PURSUANT TO RULES 44(3) AND 44(4) OF APPENDIX 16 TO THE LISTING RULES**

Due to the above-mentioned resignation of Mr. Leung on 19 November 2009, the Company has been unable to comply with the following Listing Rules:

- (a) Rule 3.10(1) of the Listing Rules, which prescribes that a listed issuer must have at least three independent non-executive directors; and
- (b) Rule 3.21 of the Listing Rules, which prescribes that a listed issuer's audit committee must comprise a minimum of three non-executive directors and the majority of the members must be independent non-executive directors.

The Company is endeavouring to identify and appoint a suitable candidate to act as an independent non-executive director of the Company (who shall also be a member of the Company's audit committee). An announcement will be published by the Company as soon as the appointment is made.

ON BEHALF OF THE BOARD

**Lau Chung Yim**

*Chairman*

Hong Kong

21 December 2009