

INTERIM REPORT
2010/2011



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

Ms. Chan Ching Ho, Kitty

Mr. Xiang Liang

Mr. Pravith Vaewhongs*

Mr. Yau Kwan Shan*

Mr. Tse Yuk Kong *

* *Independent Non-executive Directors*

Company Secretary

Mr. Chan Kwok Choi, Stanley

Audit Committee

Mr. Yau Kwan Shan (*Chairman*)

Mr. Pravith Vaewhongs

Mr. Tse Yuk Kong

Remuneration Committee

Mr. Lau Chung Yim (*Chairman*)

Mr. Pravith Vaewhongs

Mr. Tse Yuk Kong

Auditor

SHINEWING (HK) CPA LIMITED

Certified Public Accountants

43rd Floor

The Lee Gardens

33 Hysan Avenue

Causeway Bay

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

Industrial and Commercial Bank of China 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 2010, 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

		Six months ended	
		30 September	
	Notes	2010	2009
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE	3	34,725	37,407
Cost of sales		(28,833)	(35,079)
		5,892	2,328
Gross profit		3,968	2,105
Other income and gains		(1,557)	(1,595)
Selling and distribution costs		(12,956)	(8,724)
Administrative expenses		(614)	(1,049)
Other expenses		(1,065)	(1,747)
Finance costs			
LOSS BEFORE TAX	4	(6,332)	(8,682)
Tax	5	–	(2)
LOSS FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		(6,332)	(8,684)
INTERIM DIVIDEND	6	–	–
LOSS PER SHARE	7		
Basic		HK(1.0497) cents	HK(2.0753) cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2010	31 March 2010
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		69,775	67,199
Investment properties		6,960	6,960
Prepaid land lease payments		15,155	14,800
Total non-current assets		91,890	88,959
CURRENT ASSETS			
Inventories		10,801	14,722
Trade and bills receivables	8	10,935	11,721
Other receivables, prepayments and deposits paid		75,708	49,070
Held for trading investments		–	47
Tax recoverable		234	–
Pledged fixed deposits		2,025	12,041
Cash and bank balances		633	5,618
Total current assets		100,336	93,219
CURRENT LIABILITIES			
Trade and bills payables	9	15,810	21,917
Other payables and accruals		12,486	17,071
Bank and other borrowings		75,847	77,838
Obligations under finance leases		–	65
Tax payables		249	904
Total current liabilities		104,392	117,795
NET CURRENT LIABILITIES		(4,056)	(24,576)
		87,834	64,383
CAPITAL AND RESERVES			
Share capital		60,322	50,272
Reserves		10,887	(6,427)
		71,209	43,845
NON-CURRENT LIABILITIES			
Bank and other borrowings		16,625	20,538
		87,834	64,383

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 reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
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)	-	(8,684)	(9,336)
Issue of shares	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>
At 1 April 2010 (audited)	50,272	170,806	-	2,031	24,242	464	(203,970)	43,845
Exchange differences on translation of the financial statements of overseas subsidiaries	-	-	-	-	4,551	-	-	4,551
Total income and expense for the period recognised directly in equity	-	-	-	-	4,551	-	-	4,551
Loss for the period	-	-	-	-	-	-	(6,332)	(6,332)
Total income and expense for the period	-	-	-	-	4,551	-	(6,332)	(1,781)
Issue of shares	10,050	19,095	-	-	-	-	-	29,145
At 30 September 2010 (unaudited)	<u>60,322</u>	<u>189,901</u>	<u>-</u>	<u>2,031</u>	<u>28,793</u>	<u>464</u>	<u>(210,302)</u>	<u>71,209</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (outflow) inflow from operating activities	(59,764)	2,568
Net cash inflow from investing activities	11,579	583
Net cash inflow (outflow) from financing activities	44,891	(9,175)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(3,294)	(6,024)
Cash and cash equivalents at 1 April	(5,041)	1,635
Foreign exchange adjustments	4,551	(652)
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	(3,784)	(5,041)
	<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	633	489
Bank overdrafts, secured	(4,417)	(5,530)
	<hr/>	<hr/>
	(3,784)	(5,041)
	<hr/>	<hr/>

NOTES

1. Basis of presentation

The condensed consolidated interim financial statements for the six months ended 30 September 2010 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 2010.

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 2010.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendments	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

2. Accounting policies (continued)

HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
Amendments to HKFRS 5	Amendments to HKFRS 5 Non-current Assets
included in Improvements to	Held for Sale and Discontinued Operations –
HKFRSs issued in October	Plan to Sell the Controlling Interest
2008	in a Subsidiary
HK Interpretation 4	Leases – Determination of the Length of Lease
(Revised in December 2009)	Term in respect of Hong Kong Land Leases
Improvements to	Amendments to a number of HKFRSs
HKFRSs 2009	

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

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.

3. Segment information (continued)

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.

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 2009, is as follows:

	Six months ended 30 September 2010				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	3,695	28,748	2,282	-	34,725
Intersegment sales	10,852	-	1,429	(12,281)	-
Other revenue	4,427	139	-	-	4,566
Total	<u>18,974</u>	<u>28,887</u>	<u>3,711</u>	<u>(12,281)</u>	<u>39,291</u>
Segment results	<u>2,914</u>	<u>1,197</u>	<u>(3,269)</u>		842
Interest income					1
Unallocated expenses					(6,110)
Finance costs					<u>(1,065)</u>
Loss before tax					(6,332)
Tax					<u>-</u>
Loss for the period					<u>(6,332)</u>

3. Segment information (continued)

	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
	<u>22,246</u>	<u>23,301</u>	<u>3,729</u>	<u>(9,764)</u>	<u>39,512</u>
Total					
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>

4. Loss before tax

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

	Six months ended 30 September	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Staff costs		
– Salaries and wages	7,338	9,048
– Other staff costs	65	96
Depreciation and amortisation	1,270	2,525
Gain on disposal of investment property held for sale	-	(1,688)
Foreign exchange loss, net	943	72
	<u>943</u>	<u>72</u>

5. Tax

	Six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong profits tax	–	–
– Outside Hong Kong	–	2
	<hr/>	<hr/>
Tax charge for the period	–	2
	<hr/>	<hr/>

Hong Kong profits tax

Hong Kong profits tax for the six months ended 30 September 2010 was provided at the rate of 16.5% (2009: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong during the period. No provision for Hong Kong profits tax had been made in the consolidated financial statements as the Company and its subsidiaries which operate in Hong Kong had no assessable profits for the six months ended 30 September 2010 and 30 September 2009.

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 2010 (2009: Nil).

7. Loss per share

(a) Basic loss per share

The calculation of the basic loss per share for the six months ended 30 September 2010 is based on the loss for the period attributable to ordinary equity holders of the parent of HK\$6,332,000 (2009: loss of HK\$8,684,000) and the weighted average number of 603,223,800 (2009: 418,438,800) ordinary shares in issue during the period.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share for the period ended 30 September 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the period.

Diluted loss per share is the same as the basic loss per share for the period ended 30 September 2009 as the effect of the Company's share options outstanding during the period would result in a decrease in basic loss per share.

8. Trade and bills receivables

	30 September 2010 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
Trade receivables	12,184	12,732
Less: impairment loss recognised	(1,249)	(1,249)
	10,935	11,483
Bills receivables	-	238
	10,935	11,721

8. Trade and bills 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 and bills receivables net of impairment loss recognised at the end of reporting period, based on the invoice date, is as follows:

	30 September 2010 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
Within 3 months	10,109	8,231
4 to 6 months	414	792
Over 6 months	412	2,698
	<hr/> 10,935 <hr/>	<hr/> 11,721 <hr/>

9. Trade and bills payables

An aged analysis of the trade and bills payables at the end of reporting period, based on the invoice date, is as follows:

	30 September 2010 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
Within 3 months	7,384	6,635
4 to 6 months	1,766	3,171
Over 6 months	6,660	12,111
	<hr/> 15,810 <hr/>	<hr/> 21,917 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

The consolidated turnover of the Group for the six months ended 30 September 2010 was HK\$34,725,000, representing a 7% decrease from HK\$37,407,000 of the corresponding period last year. The loss of the Group decreased from HK\$8,684,000 for the six months ended 30 September 2009 to HK\$6,332,000 for the six months ended 30 September 2010.

The Group is still sustaining net loss as the economies of the industrial laminate and printed circuit board market are not recovering as expected. However, as a result of the Company gaining better control over its operating costs, the loss has decreased by 27% as compared with the corresponding period of the previous year.

The Group is exploring new investment opportunities in businesses other than its core industrial laminate and printed circuit board businesses. The Group's investment in a car battery business is about to be completed.

Industrial Laminate Division

During the six months ended 30 September 2010, the industrial laminate division achieved a turnover of HK\$3,695,000 (2009: HK\$13,504,000), which represented approximately 10% of the Group's turnover and a drastic decrease of 73% as compared with the corresponding period of the previous year. The Group has been switching its business focus to the printed circuit board business, leading to reduction in sales of industrial laminate products to customers outside the Group. In future, the division will concentrate on the supply of industrial laminate products to the PCB division within the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Industrial Laminate Division (continued)

The Group has the intention to dispose of certain loss-making subsidiaries, in particular, the subsidiaries holding the laminate factory plant in Zhongshan, the copper foil factory plant in Thailand, and the idle factory plant in Zuhai. The disposal will be detailed below.

The Group also has the intention to dispose of the production plant in Suzhou to the Suzhou Provincial Government. As stated in the announcement dated 4 November 2010, the Suzhou factory has already ceased production from 2009 and has remained idle as from that time. The Suzhou Provincial Government would like to reclaim the land for further city development. An agreement has been tentatively reached at a satisfactory consideration.

Printed Circuit Board (PCB) Division

For the six months ended 30 September 2010, the PCB division recorded a turnover of HK\$28,748,000 (2009: HK\$22,970,000), which accounted for approximately 82% of the Group's turnover and represented an increase of 25% as compared with the corresponding period of the previous year.

The Group has placed more focus on the PCB business in the period under review. Although the PCB market is not picking up generally, the Group has still achieved 25% increase in turnover. With attendance at trade shows and launch of more aggressive marketing and promotion campaigns, new customers have been attracted to the Group. It is expected that the PCB division will be the Group's main focus in the coming years.

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 intends to dispose of the plant as stated above.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Copper Foil Division

For the six months ended 30 September 2010, the copper foil plant in Thailand recorded a loss of HK\$3,269,000 (2009: loss of HK\$4,095,000) due to the sustained high prices of copper and other production materials.

As stated above with details given below, the Group intends to dispose of the Thailand subsidiary in order to minimize operating costs.

Proposed Disposal of Loss-making Subsidiaries

In view of continuing losses from certain manufacturing subsidiaries, particularly those holding the laminate production factory in Zhongshan, the idle factory in Zuhai and the copper foil production factory in Thailand, the Board has made the decision, after careful consideration, to dispose of these subsidiaries in order to improve the Group's overall performance.

On 28 June 2010, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with a company which is wholly owned by one of the directors of the Company (the "Purchaser"), pursuant to which the Purchaser agreed to acquire and the Group agreed to sell certain subsidiaries of the Group at a consideration of HK\$28 million. After the disposal, however, the disposed subsidiaries will continue to be the Group's manufacturing suppliers under a master supply agreement between Group and the disposed subsidiaries for a term up to 31 March 2012.

The directors consider the disposal to be in the best interest of the Group as a whole as the disposed subsidiaries have been making huge losses for a number of years.

The transactions are major disposal and connected transaction and continuing connected transaction as defined in the Listing Rules and are therefore subject to independent shareholders' approval.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The Acquisition of Car Battery Business

As noted in a series of announcements from December 2009, the Group is entering into a number of memoranda of understanding regarding a possibly very substantial acquisition of an electric car battery related business (the “Target Company”).

On 15 April 2010, the Company entered into an agreement with a car battery company (the “Vendor”) in respect of a proposed acquisition, which was subsequently terminated as The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) considered this transaction constitutes a reverse takeover transaction according to the Listing Rules. On 16 July 2010, the Company entered into an agreement with the Vendor, pursuant to which the Company conditionally agreed to acquire from the Vendor 9.9% of the issued share capital of the Target Company at a consideration of HK\$170,000,000, to be paid to the Vendor partly by cash and partly by the Company’s issue of convertible notes. The Target Company is exclusively licensed to apply the technology of electric car battery for the manufacturing of electric cars.

The transaction is a major transaction as defined in the Listing Rules and is therefore subject to shareholders’ approval in the special general meeting to be held on 30 November 2010.

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.

On the other hand, the Group considers that introduction of new investments to diversify the business is favourable to the Group. Besides the car battery business, the Group will continue to look for new investment opportunities to further diversify its business portfolio.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 2010, the Group's total cash and bank balances and pledged fixed deposits amounted to HK\$2,658,000 (31 March 2010: HK\$17,659,000). Total bank loans and other borrowings decreased from HK\$98,376,000 as at 31 March 2010 to HK\$92,472,000 as at 30 September 2010. Finance costs incurred decreased from HK\$1,747,000 for the six months ended 30 September 2009 to HK\$1,065,000 for the six months ended 30 September 2010. The Group's gearing ratio, being the net debt divided by total shareholders' equity plus net debt, also decreased to 0.59 as compared to 0.75 as at 31 March 2010. 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 0.96 (31 March 2010: 0.79) and net current liabilities of HK\$4,056,000 as at 30 September 2010 (31 March 2010: HK\$24,576,000).

The overall financial position of the Group as at 30 September 2010 was more favourable as compared with that as at 30 September 2009 due to strict control of operating loss 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. During the period under review, the Company entered into a placing agreement with a placing agent in order to raise funds from placing of convertible bonds, the details of which were contained in the Company's announcement dated 2 July 2010. Subsequent to the reporting date, HK\$20,000,000 were raised by the issuance of 77,220,077 shares upon conversion of the convertible bonds. Additional funds will be raised by issuing shares upon conversion of the remaining convertible bonds.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Liquidity and Financial Resources (continued)

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.

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

	30 September 2010 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
Repayable within one year	81,028	77,838
Repayable in the second year	4,224	6,561
Repayable in the third to fifth years, inclusive	5,554	10,001
Repayable beyond five years	1,666	3,976
	92,472	98,376

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.

Pledge of Assets

As at 30 September 2010, the Group's assets pledged as security for banking facilities amounted to approximately HK\$62,367,000 (31 March 2010: HK\$81,324,000).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Employment, Training and Remuneration Policy

During the 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 425 employees as at 30 September 2010 (31 March 2010: 431). 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 2010, the interests of the directors of the Company in the shares of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Long position in ordinary shares of the Company

Name of director	Capacity	Number of ordinary shares of the Company interested	Percentage* of the Company's issued share capital
Mr. Lau Chung Yim	Beneficial owner	546,000	0.09
Ms. Lau May Wah	Beneficial owner	219,200	0.03

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2010.

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

In addition to the above, as at 30 September 2010, a director 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, as at 30 September 2010, 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.

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.

There was no share option outstanding as at 1 April 2010 and 30 September 2010. During the six months ended 30 September 2010, no share options have been granted by the Company under the existing share option scheme of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2010, the following persons had interests of 5% or more in the issued shares capital of the Company according to the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in ordinary shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares of the Company interested	Percentage* of the Company's issued share capital
Chen Zhong	Beneficial owner	110,000,000	18.23
Sun Tak Sing	Beneficial owner	39,132,000	6.48
Xu Dong	Beneficial owner	44,530,000	7.38

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2010.

Save as disclosed herein, as at 30 September 2010, 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 registered an interest or a short position in shares or underlying shares of the Company as recorded in the register required to be kept pursuant to 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 2010.

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. No incident of non-compliance of the Written Guidelines was noted by the Company during the six months ended 30 September 2010.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three members, being the three 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 2010 and discussed auditing, financial and internal control, and financial reporting matters of the Company.

CORPORATE GOVERNANCE

The Board is of the view that 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 2010, except for the following deviations:

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. Currently, Mr. Lau Chung Yim holds the offices of Chairman and Chief Executive Officer of the Company, which constitutes a deviation from the abovementioned code provision of the CG Code. Mr. Lau Chung Yim has over 30 years’ experience in the production of laminates and printed circuit boards. The Board believes that it is in the best interests of the Group to have an executive Chairman with in-depth knowledge of the Group’s businesses to guide discussion among Board members on the Group development and planning, as well as to execute business strategies of the Group.

Code provision A.4.2

In accordance with the Company’s Bye-laws (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. In addition, code provision A.4.2 of the CG Code also stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

CORPORATE GOVERNANCE (continued)

Code provision A.4.2 (continued)

Pursuant to the aforesaid provision of the Bye-laws and the CG Code, Mr. Lau Chung Yim and Mr. Pravith Vaewhongs retired by rotation and were re-elected by rotation at the annual general meeting of the Company held on 19 November 2010 (the “2010 AGM”). Besides, Ms. Deng Hong Mei, Ms. Chan Ching Ho, Kitty, Mr. Xiang Liang and Mr. Tse Yuk Kong, who were appointed by the Board as directors of the Company during the year ended 31 March 2010, also retired and were re-elected at the 2010 AGM. Such arrangement on shareholders’ election of Ms. Deng Hong Mei, Ms. Chan Ching Ho, Kitty, Mr. Xiang Liang and Mr. Tse Yuk Kong at the 2010 AGM instead of the first general meeting of the Company after their appointment held on 28 May 2010 deviates from the code provision A.4.2 of the CG Code and the provision of the Bye-laws. This arrangement was made as the Board considered that the retirement and re-election of these four directors, together with the above-mentioned two directors retiring by rotation, at one general meeting, i.e. at the 2010 AGM, provided a clearer picture to the Company’s shareholders.

Code provision E.1.2

This code provision stipulates that the chairman of the independent board committee (if any) should be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders’ approval. At the Company’s special general meeting held on 28 May 2010 for approving the refreshment of share issuance mandate (details of such transaction was set out in the Company’s circular dated 12 May 2010), the independent board committee members were not present as they had other business engagements on that date. To cope with this deviation of code provision, the chairman of the meeting has read the recommendation of independent board committee on the transaction for shareholders’ consideration, and the Company Secretary was arranged to answer questions from the independent shareholders at the meeting. No question was raised by any shareholders during such general meeting.

ON BEHALF OF THE BOARD

Lau Chung Yim

Chairman

Hong Kong
25 November 2010