China Environmental Energy Investment Limited
中國環保能源投資有限公司*

(Formerly known as Nam Hing Holdings Limited 南興集團有限公司*)
(Incorporated in Bermuda with limited liability)
(Stock code: 986)

ANNUAL REPORT 2011

*For identification purposes only

Contents

Corporate Information

Executive Directors

Ms. Chen Tong *(Chairman and Chief Executive Officer)*
Ms. Deng Hong Mei
Ms. Chan Ching Ho, Kitty
Mr. Xiang Liang
Mr. Lau Chung Yim

Non-executive Directors

Ms. Yao Zhengwei
Mr. Wang Zhenghua

Independent Non-executive Directors

Mr. Chan Ying Kay
Mr. Tse Kwong Chan
Ms. Zhou Jue

Company Secretary

Mr. Leung Chi Wing, Billy

Audit Committee

Mr. Chan Ying Kay *(Chairman)*
Mr. Tse Kwong Chan
Ms. Zhou Jue

Remuneration Committee

Mr. Lau Chung Yim *(Chairman)*
Mr. Tse Kwong Chan
Ms. Zhou Jue

Auditor

CCTH CPA Limited
Certified Public Accountants
Unit 9-10, 27/F, North Tower
Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui
Kowloon
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Room 2211, 22/F, Lippo Centre
Tower Two, 89 Queensway
Hong Kong

Principal Bankers

DBS Bank (Hong Kong) Limited
DBS Bank Limited, Shanghai Branch
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited
Wing Lung 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.986.com.hk

Stock Code

986

Chairman's Statement and Management Discussion & Analysis

I would like to report to the shareholders the annual report of China Environmental Energy Investment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2011.

BUSINESS REVIEW AND PROSPECTS

Consolidated turnover of the Group for the year ended 31 March 2011 was HK$58,818,000, representing a 14.8% decline as compared with HK$69,042,000 of the previous year. Operating loss of the Group was HK$3,444,000, which included a gain of HK$49,800,000 on the disposal of land and buildings in the Suzhou subsidiary in Mainland China and loss of HK$7,001,000 on the disposal of sustained loss-incurring subsidiaries in the Group. Excluding the results of the above disposals, the Group experienced a loss of HK$46,243,000 as compared to HK$39,963,000 of the previous year.

As reflected in the trends and results of the current year, operating loss has arisen from the unfavourable operating environment, in particular the environment for the laminate division. Decrease in market demand and increase in raw material costs overall during the year imposed great pressure on the Group's operations. The Group has continued to implement a number of measures to minimize operating costs while maintaining an adequate production level, and at the same time, looking for further business opportunities to diversify the business of the Group, streamline the business and dispose of non-profitable and sustained loss-incurring operating units.

Trading and manufacturing of printed circuit boards ("PCBs")

For the year ended 31 March 2011, the PCB division recorded a turnover of HK$49,860,000 (2010: HK$44,844,000), which accounted for approximately 85% of the Group's total turnover and represented an increase of 11% as compared to the previous year. Increase in turnover was attributable to increase in market demand in the PCB market.

The Group had placed greater focus on the PCB business in the year under review. Although the PCB market had not been picking up generally, the Group still achieved an increase in turnover. With attendance at trade shows and launching of more aggressive marketing and promotion campaigns, new customers have been attracted to the Group. With the increase in turnover, the profitability of the Group's PCB business is expected to be improved.

Trading and manufacturing of industrial laminates

During the year under review, the industrial laminate business achieved a turnover of HK$4,692,000 (2010: HK$21,914,000), representing approximately 8% of the Group's total turnover and a decrease of 79% as compared to the previous year.

The industrial laminate division continued to sustain losses due to strong competition and weak market demand. Sales orders for the year persistently decreased.

The industrial laminate operation in Suzhou, Mainland China during the year under review remained idle and the management disposed of the Suzhou land and factory in March 2011. Sale proceeds were received subsequently in May 2011 and used for repayment of directors' loans, bank loans and other borrowings.

Connected transactions

On 28 June 2010, the Group entered into the following agreements and transactions: (1) Sale and Purchase Agreement in relation to the disposal of substantial loss incurring subsidiaries manufacturing and trading in industrial laminates and copper foils (the "Disposed Group"), with a company named Nature Ample Limited which is wholly owned by one of the Company's directors, namely Mr. Lau Chung Yim, at a consideration of HK$28 million; (2) Master Supply Agreement with Zhongshan Chung Yuen Electronic Applied Material Company Limited (a member of Disposal Group) in relation to the Group's purchase of industrial laminates from the Disposed Group for a term commencing from the completion of the disposal of the Disposed Group (the "Disposal") up to 31 March 2012 (with the maximum purchase amounts of HK$4,000,000 and HK$15,000,000 for the period ended 31 March 2011 and for the year ending 31 March 2012, respectively) so as to ensure that the Group has a steady supply of laminates for trading in the market; and (3) continued provision of financial assistance by the Company to the Disposed Group by way of loans advances up to a maximum amount of HK$25,000,000 and by way of a corporate guarantee executed on 11 February 2004 in favour of Bangkok Bank Public Company Limited in respect of borrowing by Bangkok Industrial Laminate Company Limited (a member of the Disposed Group) up to a maximum principal amount of Thai Baht 70,000,000 after the completion of the Disposal. The Group incurred a loss of HK$7 million on the Disposal.

Investment in electric car battery business

On 16 July 2010, the Company entered into an agreement pursuant to which the Company conditionally agreed to acquire 9.9% of the issued share capital of Swift Profit International Limited ("Swift Profit") at a consideration of HK$170,000,000. Swift Profit is exclusively licensed to apply the technology for the manufacturing of electric car battery. Completion of the acquisition took place on 29 December 2010 and HK$99 million of the consideration was settled in convertible notes and the balance in cash. Under the business model of Swift Profit, it will receive a royalty fee of 12% from Zhongsheng Dongli New Energy Investment Limited ("Zhongsheng") on sale of multi-element polymer battery to the market without bearing any production cost or capital expenditure. Zhongsheng has already secured orders from automotive manufacturers for 200 electric vehicles. Based on the secured orders from automotive manufacturers, it is estimated that 3,000 sets of multi-element polymer batteries will be sold to these automotive manufacturers in 2012. The electric car battery business has generated revenue of approximately HK$21 million to Swift Profit in the first quarter of 2011. The Board is of the view that the electric car battery business will be developed into a sustainable income source for the Group.

Proposed recycling business acquisition

On 19 November 2010, the Company entered into a framework agreement with four parties in relation to a possible acquisition of 80% of the issued share capital of Ideal Market Holdings Limited. Ideal Market Holdings Limited indirectly holds Suzhou Baina Renewable Resources Co., Ltd ("Suzhou Baina") which is principally engaged in the recycling business of waste paper, scrap metal and consumable waste. As announced on 9 May 2011, the Company entered into a Sale and Purchase Agreement, pursuant to which the Company, as the purchaser, conditionally agreed to acquire the sale shares and the sale loans at the consideration of HK$850 million. The sale shares represent 80% of the issued share capital of Ideal Market Holdings Limited. The Company has paid HK$270,000,000 in cash as purchase deposit and the balance of the consideration is expected to be settled in a combination of cash, the issue of promissory notes and the issue of convertible notes. The management expects to complete the acquisition in August 2011 and the recycling business will bring another source of main income to the Group in the future.

Outlook

The continuing unfavourable operating environment has exerted great pressure on the operation of industrial businesses. Recovery of the economy is not expected within a short period of time. The Group has experienced tight profit margins in the year under review in both the laminate and PCB divisions and is of the view that the unfavourable operating environment will continue in the foreseeable future.

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 will include a more conservative approach in the procurement of resources to reduce operating costs.

LIQUIDITY AND FINANCIAL RESOURCES

It is the Group's policy to rely on internally generated funds, bank borrowings and equity and debt financing to finance its operations and proposed acquisition.

As at 31 March 2011, the Group's total cash and bank balances and pledged fixed deposits amounted to HK$3,266,000 (2010: HK$17,659,000). Total bank loans and other borrowings decreased from HK$98,376,000 as at 31 March 2010 to HK$55,829,000 as at 31 March 2011. The Group's gearing ratio, which is net debt divided by total shareholders' equity plus net debt, decreased from 0.75 as at 31 March 2010 to 0.25 as at 31 March 2011. Net debt included bank and other borrowings, trade, bills and other payables and accruals, less cash and bank balances. As at 31 March 2011, the Group had a current ratio of 1.77 (2010: 0.74) and net current assets of HK$74,972,000 (2010: net current liabilities of HK$33,571,000).

The overall financial position of the Group as at 31 March 2011 was favourable as compared with the previous year. The management had used the sales proceeds from the disposal of land and buildings in its Suzhou subsidiary for the repayment of bank loans and other borrowings to improve the gearing ratio of the Group.

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

PLEDGE OF ASSETS

As at 31 March 2011, the carrying amounts of the Group's assets pledged as security for banking facilities amounted to an aggregate of approximately HK$14,434,000 (2010: HK$77,525,000).

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 231 employees as at 31 March 2011 (2010: 431). Remunerations are commensurate with the nature of the job, experience and market conditions.

APPRECIATION

On behalf of the board of directors of the Company (the "Board"), I would like to express my sincere appreciation to all management and staff for their diligence and continuing support.

ON BEHALF OF THE BOARD

Ms. Chen Tong
Chairman

Hong Kong, 30 June 2011

Corporate Governance Report

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 March 2011.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Company recognizes the importance of good corporate governance in sustaining its healthy growth and maintaining its corporate transparency and accountability. The Board is committed to strengthening the Group's corporate governance practices to the promotion of shareholder value and investor confidence.

The Company has applied the principles as 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, except for the code provisions A.2.1, A.4.1, A.4.2 and E.1.2. Key corporate governance principles and practices of the Company as well as details of the foregoing deviations are summarized below.

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 in the attainment of the objective of ensuring effective functioning and growth of the Company and enhancing value to investors. All the directors carry out their duties in good faith and in the interests of the Group.

The Board reserves for its decision 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.

All directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

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 above-mentioned 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 currently comprises the following directors:

Executive directors:

Ms. Chen Tong *(Chairman of the Board, Chief Executive Officer and Chairman of the Executive Committee)*
Ms. Deng Hong Mei *(Member of the Executive Committee)*
Ms. Chan Ching Ho, Kitty *(Member of the Executive Committee)*
Mr. Xiang Liang *(Member of the Executive Committee)*
Mr. Lau Chung Yim *(Chairman of the Remuneration Committee and Member of the Executive Committee)*

Non-executive directors:

Ms. Yao Zhengwei
Mr. Wang Zhenghua

Independent non-executive directors:

Mr. Chan Ying Kay *(Chairman of the Audit Committee)*
Mr. Tse Kwong Chan *(Member of both the Audit Committee and the Remuneration Committee)*
Ms. Zhou Jue *(Member of both the Audit Committee and the Remuneration Committee)*

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications of the Company.

The Board has at all times during the year ended 31 March 2011 met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise as required under the Listing Rules.

A. THE BOARD (continued)

A.2 Board Composition (continued)

The members of the Board have experience and skills appropriate for the business requirements and objectives of the Group. The independent non-executive directors bring different business and financial expertise, experiences and independent judgment to the Board and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflict of interests, the independent non-executive directors had made various contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

The biographical details of the directors of the Company are set out under "Brief Biographical Details in respect of Directors and Senior Management Staff" in this annual report. None of the members of the Board is related to one another.

The Company has received written annual confirmation from each independent non-executive director of his/her 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

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Ms. Chen Tong, an executive director of the Company, has taken up the offices of Chairman and Chief Executive Officer with effect from 26 January 2011 in place of Mr. Lau Chung Yim (an existing executive director of the Company). Accordingly, the Company has not complied with code provision A.2.1 of the CG Code. Ms. Chen has extensive experience in management and over 30 years' business experience. The Board believes that it is in the best interests of the Group to have an executive Chairman with in-depth management experiences to guide discussion among Board members on the Group development and planning, as well as to execute business strategies of the Group.

The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board shall review this structure from time to time to ensure appropriate and timely action to meet changing circumstances.

A. THE BOARD (continued)

A.4 Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors of a listed issuer should be appointed for a specific term, subject to re-election. Although the non-executive directors and the independent non-executive directors of the Company have not been appointed for a specific term, they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws (the "Bye-laws"). Accordingly, the Board considers that the Company meets the objective of the code provision A.4.1.

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 appointment and succession planning of directors and assessing the independence of independent non-executive directors. The Company has adopted Directors' Nomination Procedure as a written guideline in providing a formal, considered and transparent procedure 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 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. 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.

According to the aforesaid retirement by rotation provision in the Bye-laws and the agreement among the Board members, Ms. Deng Hong Mei, Mr. Xiang Liang, Mr. Lau Chung Yim, Mr. Wang Zhenghua, Mr. Tse Kwong Chan and Mr. Chan Ying Kay shall retire at the forthcoming annual general meeting of the Company (the "2011 AGM"). All of the above six retiring directors, being eligible, will offer themselves for re-election at the 2011 AGM. The Board recommended their re-appointment. The Company's circular, sent together with this annual report, contains detailed information of the above six directors as required by the Listing Rules.

A. THE BOARD (continued)

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

Ms. Chen Tong, Ms. Zhou Jue, Mr. Lam Kwun Fu (all appointed as directors on 15 December 2010, but Mr. Lam subsequently resigned on 16 March 2011) and Ms. Yao Zhengwei (appointed as director on 26 January 2011) were re-elected at the Company's special general meeting held on 10 March 2011 instead of the Company's first general meetings after their respective appointment. Besides, Mr. Tse Kwong Chan (appointed as director on 16 March 2011), Mr. Wang Zhenghua and Mr. Chan Ying Kay (both appointed as directors on 8 June 2011) will also submit themselves for re-election at the 2011 AGM instead of the Company's first general meetings after their respective appointment. Such arrangement for not having shareholders' election of the above-mentioned directors at the first general meeting after their appointment deviates from the code provision A.4.2 of the CG Code. This arrangement is made as the Board considers grouping directors for re-election in the same general meeting as far as possible provides a clearer and simpler picture to the Company's shareholders.

During the year ended 31 March 2011, the Board, through its meetings held on the following dates performed the following works regarding matters relating to nomination of directors:

1. 30 September 2010 (with the presence of Ms. Deng Hong Mei, Ms. Chan Ching Ho, Kitty, Mr. Xiang Liang, Mr. Lau Chung Yim, Ms. Lau May Wah and Mr. Yau Kwan Shan): 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 2010 annual general meeting of the Company; and assessment of the independence of all the Company's independent non-executive directors;

2. 15 December 2010 (with the presence of Ms. Deng Hong Mei, Ms. Chan Ching Ho, Kitty, Mr. Lau Chung Yim, Ms. Lau May Wah, Mr. Yau Kwan Shan and Mr. Pravith Vaewhongs): appointment of (i) Ms. Chen Tong as an executive director and (ii) Mr. Lam Kwun Fu and Ms. Zhou Jue as independent non-executive directors of the Company;

A. THE BOARD (continued)

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

3. 26 January 2011 (with the presence of Ms. Chen Tong, Ms. Deng Hong Mei, Ms. Chan Ching Ho, Kitty, Mr. Xiang Liang, Mr. Lau Chung Yim, Ms. Zhou Jue and Mr. Lam Kwun Fu): (i) acceptance of the resignation of Mr. Lau Chung Yim as the Chairman of the Board, the Chief Executive Officer and the Managing Director of the Company; (ii) appointment of Ms. Chen Tong as the Chairman of the Board and the Chief Executive Officer of the Company; (iii) acceptance of the resignation of Ms. Lau May Wah as an executive director of the Company; (iv) acceptance of the resignation of Mr. Pravith Vaewhongs and Mr. Tse Yuk Kong as independent non-executive directors and members of both the Audit Committee and the Remuneration Committee of the Company; (v) appointment of Mr. Lam Kwun Fu and Ms. Zhou Jue as members of both the Audit Committee and the Remuneration Committee of the Company; (vi) appointment of Ms. Yao Zhengwei as a non-executive director of the Company; and

4. 16 March 2011 (with the presence of Ms. Chen Tong, Ms. Deng Hong Mei, Ms. Chan Ching Ho, Kitty, Ms. Yao Zhengwei, Ms. Zhou Jue and Mr. Yau Kwan Shan): appointment of Mr. Tse Kwong Chan and acceptance of the resignation of Mr. Lam Kwun Fu as an independent non-executive director and a member of both the Audit Committee and the Remuneration Committee of the Company.

A.5 Induction and Continuing Development for Directors

Each newly appointed director of the Company receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors will be arranged whenever necessary.

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 directors in advance to facilitate attendance. In addition, 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 of meeting in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

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

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

The Company Secretary is responsible to take and keep minutes of all Board meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making request to the Board.

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

A. THE BOARD (continued)

A.6 Board Meetings (continued)

A.6.2 Directors' Attendance Records in Board Meetings

During the year ended 31 March 2011, 34 Board meetings were held, out of which 4 were regular meetings held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the Board meetings held during the year ended 31 March 2011 are set out below:

Name of Director	Attendance/Number of Board Meetings
Executive directors	
Ms. Chen Tong (Note 1)	10/17
Ms. Deng Hong Mei	34/34
Ms. Chan Ching Ho, Kitty	33/34
Mr. Xiang Liang	18/34
Mr. Lau Chung Yim	22/34
Ms. Lau May Wah (Note 2)	16/24
Non-executive directors	
Ms. Yao Zhengwei (Note 3)	4/7
Mr. Wang Zhenghua (Note 4)	N/A
Independent non-executive directors	
Mr. Chan Ying Kay (Note 4)	N/A
Mr. Tse Kwong Chan (Note 5)	2/2
Ms. Zhou Jue (Note 1)	9/17
Mr. Yau Kwan Shan (Note 6)	16/34
Mr. Lam Kwun Fu (Note 7)	7/14
Mr. Pravith Vaewhongs (Note 2)	6/24
Mr. Tse Yuk Kong (Note 2)	5/24

Notes:–

1. (i) Ms. Chen Tong has been appointed as an executive director; and (ii) Ms. Zhou Jue has been appointed as an independent non-executive director of the Company, both with effect from 15 December 2010. Subsequent to their appointment, there were a total of 17 Board meetings held during the year ended 31 March 2011.

2. (i) Ms. Lau May Wah has resigned as an executive director; and (ii) Mr. Pravith Vaewhongs and Mr. Tse Yuk Kong have resigned as independent non-executive directors of the Company, all with effect from 26 January 2011. Before their resignation, there were a total of 24 Board meetings held during the year ended 31 March 2011.

A. THE BOARD (continued)

A.6 Board Meetings (continued)

A.6.2 Directors' Attendance Records in Board Meetings (continued)

Notes:– (continued)

3. Ms. Yao Zhengwei has been appointed as a non-executive director of the Company with effect from 26 January 2011. Subsequent to her appointment, there were a total of 7 Board meetings held during the year ended 31 March 2011.

4. (i) Mr. Wang Zhenghua has been appointed as a non-executive director; and (ii) Mr. Chan Ying Kay has been appointed as an independent non-executive director of the Company, both with effect from 8 June 2011. Accordingly, the attendance at the Board meetings held during the year ended 31 March 2011 is not applicable to them.

5. Mr. Tse Kwong Chan has been appointed as an independent non-executive director of the Company with effect from 16 March 2011. Subsequent to his appointment, there were a total of 2 Board meetings held during the year ended 31 March 2011.

6. Mr. Yau Kwan Shan has resigned as an independent non-executive director of the Company with effect from 8 June 2011.

7. Mr. Lam Kwun Fu was appointed as an independent non-executive director of the Company on 15 December 2010 and he subsequently resigned on 16 March 2011. There were a total of 14 Board meetings held during his tenure of office as an independent non-executive director of the Company.

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 throughout the year ended 31 March 2011.

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 Executive Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available to shareholders upon request.

All the Board committees should report to the Board on their decisions or recommendations made. 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.

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.

B.1 Executive Committee

The Executive Committee comprises all the executive directors of the Company with the Chairman of the Board, Ms. Chen Tong, acting as 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 Company and discusses and makes decisions on matters relating to the management and day-to-day operations of the Company.

B.2 Remuneration Committee

The Remuneration Committee currently comprises three members, being one executive director, Mr. Lau Chung Yim, and two independent non-executive directors, namely Mr. Tse Kwong Chan and Ms. Zhou Jue. 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 Group as well as market practice and conditions.

B. BOARD COMMITTEES (continued)

B.2 Remuneration Committee (continued)

During the year ended 31 March 2011, the Remuneration Committee met twice to consider the remuneration packages of the new directors of the Company and made recommendation to the Board. The attendance records of the foregoing Remuneration Committee's meetings are set out as follows:

Name of Remuneration Committee Member	Attendance/Number of Remuneration Committee Meetings
Mr. Lau Chung Yim *(Chairman)*	2/2
Mr. Tse Kwong Chan (Note 1)	N/A
Ms. Zhou Jue (Note 2)	2/2
Mr. Pravith Vaewhongs (Note 3)	N/A
Mr. Tse Yuk Kong (Note 3)	N/A
Mr. Lam Kwun Fu (Note 4)	1/1

Notes:–

1. Mr. Tse Kwong Chan has been appointed as a member of the Remuneration Committee of the Company with effect from 16 March 2011. No Remuneration Committee meeting was held subsequent to his appointment during the year ended 31 March 2011.

2. Ms. Zhou Jue has been appointed as a member of the Remuneration Committee of the Company with effect from 26 January 2011. Subsequent to her appointment, there were 2 Remuneration Committee meetings held during the year ended 31 March 2011.

3. Mr. Pravith Vaewhongs and Mr. Tse Yuk Kong have resigned as members of the Remuneration Committee of the Company with effect from 26 January 2011. No Remuneration Committee meeting was held before their resignation during the year ended 31 March 2011.

4. Mr. Lam Kwun Fu was appointed as a member of the Remuneration Committee of the Company on 26 January 2011 and he subsequently resigned on 16 March 2011. There was 1 Remuneration Committee meeting held during his tenure of office as a member of the Remuneration Committee of the Company.

Details of the remuneration of each of the directors of the Company for the year ended 31 March 2011 are set out in Note 12 to the consolidated financial statements contained in this annual report.

B. BOARD COMMITTEES (continued)

B.3 Audit Committee

The Audit Committee currently comprises a total of three members, being the three existing independent non-executive directors, namely Mr. Chan Ying Kay, Mr. Tse Kwong Chan and Ms. Zhou Jue. The chairman of the Audit Committee is Mr. Chan Ying Kay, who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

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.

During the year under review, the Audit Committee has met twice and performed the following major tasks:

– Review and discussion of the annual financial statements, results announcement and report for the year ended 31 March 2010, the related accounting principles and practices adopted by the Group and the relevant audit findings, the report from the management on the Company's internal control and risk management review and processes; and recommendation of the re-appointment of the external auditor; and

– Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 September 2010, the related accounting principles and practices adopted by the Group and the relevant audit findings.

The external auditor was invited to attend one of the meetings without the presence of executive directors to discuss with the Audit Committee 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.

B. BOARD COMMITTEES (continued)

B.3 Audit Committee (continued)

The attendance records of the foregoing 2 Audit Committee's meetings are set out as follows:

Name of Audit Committee Member	Attendance/Number of Audit Committee Meetings
Mr. Chan Ying Kay *(Chairman)* (Note 1)	N/A
Mr. Yau Kwan Shan (Note 2)	2/2
Mr. Pravith Vaewhongs (Note 3)	1/2
Mr. Tse Yuk Kong (Note 3)	1/2
Mr. Tse Kwong Chan (Note 4)	N/A
Ms. Zhou Jue (Note 5)	N/A
Mr. Lam Kwun Fu (Note 6)	N/A

Notes:

1. Mr. Chan Ying Kay has been appointed as the chairman of the Audit Committee of the Company with effect from 8 June 2011. Accordingly, the attendance at the Audit Committee meetings held during the year ended 31 March 2011 is not applicable to him.

2. Mr. Yau Kwan Shan has resigned as the chairman of the Audit Committee of the Company with effect from 8 June 2011. Before his resignation, there were 2 Audit Committee meetings held during the year ended 31 March 2011.

3. Mr. Pravith Vaewhongs and Mr. Tse Yuk Kong have resigned as members of the Audit Committee of the Company with effect from 26 January 2011. Before their resignation, there were 2 Audit Committee meetings held during the year ended 31 March 2011.

4. Mr. Tse Kwong Chan has been appointed as a member of the Audit Committee of the Company with effect from 16 March 2011. No Audit Committee meeting was held during the period from 16 March 2011 to 31 March 2011.

5. Ms. Zhou Jue has been appointed as a member of the Audit Committee of the Company with effect from 26 January 2011. No Audit Committee meeting was held during the period from 26 January 2011 to 31 March 2011.

6. Mr. Lam Kwun Fu was appointed as a member of the Audit Committee of the Company on 26 January 2011 and he subsequently resigned on 16 March 2011. No Audit Committee meeting was held during his tenure of office as a member of the Audit Committee of the Company.

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 2011. 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.

D. INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system and for reviewing the effectiveness of such system on an annual basis. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis and reports on any findings and measures to address the variances and identified risks.

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

With regard to the issue raised in the "Independent Auditor's Report" in this annual report, stating that the auditor did not have sufficient appropriate audit evidence to determine the opening balances of the Company's consolidated financial statements as at 1 April 2010, the Board has since adopted preventive measures to avoid the recurrence of such in future.

E. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

With effect from 15 April 2011, Shinewing (HK) CPA Limited has resigned as auditor of the Company and CCTH CPA Limited has been appointed as the new auditor to fill the said vacancy. Details of the above-mentioned changes are set out in the Company's announcement dated 15 April 2011.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" in this annual report.

E. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION (continued)

The fees paid/payable to CCTH CPA Limited and other external auditors in respect of audit services and non-audit services for the year ended 31 March 2011 are analyzed below:

Type of services provided by the external auditor	Fees paid/payable
CCTH CPA Limited	
Audit fee for the year ended 31 March 2011	HK$600,000
Non-audit services	HK$51,000
Other external auditors	
PRC audit fee	HK$23,000
Thailand audit fee	HK$47,000
TOTAL:	HK$721,000

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables shareholders and investors to make the best investment decision.

The Company maintains a website at www.986.com.hk, as a communication platform with shareholders and investors, where information and updates on the Company's financial information and other information are available for public access. Investors may write directly to the Company's principal place of business in Hong Kong for any inquiries.

Shareholders' meetings provide an opportunity for communication between the Board and the shareholders. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS (continued)

Code provision E.1.2 of the CG Code 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 meetings held on 28 May 2010, 11 January 2011, 18 March 2011 and 27 April 2011 (details of the respective transactions were set out in the Company's circulars dated 12 May 2010, 24 December 2010, 23 February 2011 and 23 February 2011, respectively), the independent board committee members were not present. To cope with the deviation of this code provision, the chairman of the meetings has read at the meetings the respective recommendations of independent board committee on the transactions for shareholders' consideration, and the Company Secretary was arranged to answer questions from the independent shareholders at the meetings.

G. SHAREHOLDERS' RIGHTS

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

All resolutions put forward at shareholders' meetings of listed issuers shall be voted by poll pursuant to the Listing Rules. The poll voting results shall be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.986.com.hk) after a shareholders' meeting.

The directors present their annual report and the audited consolidated financial statements of the Company and the Group for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in Note 41 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 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 38 to 126.

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				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**53,455**	61,883	129,394	302,813	328,085
Profit/(Loss) before taxation	**568**	(39,591)	(82,138)	(91,037)	(36,095)
Taxation	**(4,012)**	(372)	(267)	(528)	(29)
Loss for the year	**(3,444)**	(39,963)	(82,405)	(91,565)	(36,124)

SUMMARY OF FINANCIAL INFORMATION (continued)

	At 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)		
Property, plant and equipment	**18,898**	67,199	79,315	145,800	188,127
Investment properties	**9,380**	6,960	5,870	7,360	21,400
Prepaid land lease payments	**1,052**	14,800	14,926	15,431	14,528
Trademark	**–**	–	–	–	2,329
Available for sale investment	**172,888**	–	–	–	–
Total non-current assets	**202,218**	88,959	100,111	168,591	226,384
Current assets	**172,404**	93,219	68,357	151,319	195,244
Current liabilities	**(97,432)**	(126,790)	(124,375)	(196,774)	(229,988)
Net current assets/(liabilities)	**74,972**	(33,571)	(56,018)	(45,455)	(34,744)
Total assets less current liabilities	**277,190**	55,388	44,093	123,136	191,640
Long term portion of bank and other borrowings	**–**	(11,543)	(13,665)	(7,860)	(7,648)
Long term portion of finance lease payables	**–**	–	(65)	(897)	–
Net assets	**277,190**	43,845	30,363	114,379	183,992

The current liabilities and non-current liabilities as at 31 March 2010 and 31 March 2009 have been restated as a result of the adoption of Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". The current liabilities and non-current liabilities as at 31 March 2008 and 31 March 2007 have not been restated as it is not practicable to quantify the effects as a result of the adoption of Hong Kong Interpretation 5.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the Group's property, plant and equipment and investment property during the year are set out in Notes 18 and 19 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 33 and 34 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 2011, 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$260,299,878 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 38% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 14%.

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

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Ms. Chen Tong	(Appointed on 15 December 2010)
Ms. Deng Hong Mei	
Ms. Chan Ching Ho, Kitty	
Mr. Xiang Liang	
Mr. Lau Chung Yim	
Ms. Lau May Wah	(Resigned on 26 January 2011)

Non-executive directors:

Ms. Yao Zhengwei	(Appointed on 26 January 2011)
Mr. Wang Zhenghua	(Appointed on 8 June 2011)

Independent non-executive directors:

Mr. Chan Ying Kay	(Appointed on 8 June 2011)
Ms. Zhou Jue	(Appointed on 15 December 2010)
Mr. Tse Kwong Chan	(Appointed on 16 March 2011)
Mr. Pravith Vaewhongs	(Resigned on 26 January 2011)
Mr. Tse Yuk Kong	(Resigned on 26 January 2011)
Mr. Yau Kwan Shan	(Resigned on 8 June 2011)
Mr. Lam Kwun Fu	(Appointed on 15 December 2010 and resigned on 16 March 2011 thereafter)

In accordance with the Company's bye-laws and the agreement among the directors, Ms. Deng Hong Mei, Mr. Lau Chung Yim, Mr. Xiang Liang, Mr. Wang Zhenghua, Mr. Tse Kwong Chan and Mr. Chan Ying Kay shall retire at the forthcoming annual general meeting of the Company. All of the above six retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

Executive directors:

Ms. Chen Tong, aged 47, is the Chairman of the Board, the Chief Executive Officer, the Chairman of the Executive Committee and an executive director of the Company. She joined the Group in December 2010. Ms. Chen graduated from Tongji University in 2002 with a bachelor's degree in administrative management. She is currently the vice general manager of a logistic company in the The People's Republic of China. She has over 10 years experience in the banking industry and is an economist.

Ms. Deng Hong Mei, aged 40, is an executive director and a member of the Executive Committee of the Company. She joined the Group in November 2009. Ms. Deng has served as a project manager in a private company in Hong Kong for about 9 years. She has extensive experience in the field of business and project management.

Ms. Chan Ching Ho, Kitty, aged 55, is an executive director and a member of the Executive Committee of the Company. She joined the Group in March 2010. Ms. Chan holds (i) a certificate in real estate agency practice from School of Professional and Continuing Education, the University of Hong Kong; (ii) a professional diploma in estate and facilities management from the Hong Kong Productivity Council; and (iii) a certificate course for management and instructors in security and property management from Hong Kong Collage of Technology. Prior to joining the Board, Ms. Chan has around 30 years experience in sales and marketing and property management in Hong Kong.

Mr. Xiang Liang, aged 42, is an executive director and a member of the Executive Committee of the Company. He joined the Group in March 2010. Mr. Xiang holds a degree in accounting and finance from Shanghai TV University and is a banker of Hongkou Qu, Shanghai Branch, China Construction Bank for more than 20 years.

Mr. Lau Chung Yim, aged 61, is an executive director, a member of the Executive Committee and the Chairman of the Remuneration Committee of the Company. He is also a director of certain subsidiaries of the Company. 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 the elder brother of Mr. Lau Chung Pun, Daniel (Assistant General Manager of the Group).

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

Non-executive directors:

Ms. Yao Zhengwei, aged 24, was appointed as a non-executive director of the Company with effect from 26 January 2011. Ms. Yao graduated in Shanghai I&C Foreign Languages School. She is currently studying Finance in Shanghai Jiao Tong University and working in the investment division of a fund management company.

Mr. Wang Zhenghua, aged 29, was appointed as a non-executive director of the Company with effect from 8 June 2011. He graduated from University of Shanghai for Science and Technology in 2006 with a Bachelor's degree in marketing. Mr. Wang has been working in the field of sales, marketing and communications in The People's Republic of China for 5 years.

Independent non-executive directors:

Mr. Chan Ying Kay, aged 47, was appointed as an independent non-executive director and the Chairman of the Audit Committee of the Company with effect from 8 June 2011. He graduated from the University of Sheffield with a Master of Business Administration, and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Chan has over 20 years of experience in accounting and finance. Mr. Chan is currently an independent non-executive director of Doxen Energy Group Limited (a company listed on the Main Board of the Stock Exchange; stock code: 668). He is also currently the company secretary and chief financial officer of FinTronics Holdings Company Limited (a company listed on the Main Board of the Stock Exchange; stock code: 706). Before joining FinTronics Holdings Company Limited, he was an executive director and the company secretary of Bestway International Holdings Limited (a company listed on the Main Board of the Stock Exchange; stock code: 718).

Ms. Zhou Jue, aged 25, was appointed as an independent non-executive director of the Company with effect from 15 December 2010. She is also a member of both the Audit Committee and the Remuneration Committee of the Company. Ms. Zhou studied in Shanghai Maritime University in corporate management. She is currently an investment consultant in an investment management company and she has experience in hotel management.

Mr. Tse Kwong Chan, aged 41, was appointed as an independent non-executive Director, a member of both the Audit Committee and the Remuneration Committee of the Company with effect from 16 March 2011. He graduated from Dawson College, Canada with a degree majoring in Mathematics in 1991. Mr. Tse has over 20 years of working experience in the area of sales and marketing and management.

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

Senior management staff:

Mr. Lau Chung Pun, Daniel, aged 44, is a younger brother of Mr. Lau Chung Yim. Mr. Lau joined the Group in 1995 and is the Assistant General Manager of the Group. 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 51, 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. Leung Chi Wing, Billy, aged 44, is the Company's secretary, authorized representative and authorized person to accept service of process and notices on behalf of the Company in Hong Kong. He joined the Group in January 2011. He is a member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and a graduate of The Institute of Chartered Secretaries and Administrators in the United Kingdom. He holds a Bachelor's degree in Accountancy and has extensive experiences in finance, accounting and company secretarial functions.

DIRECTORS' SERVICE CONTRACTS

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

Nature Ample Limited, a company incorporated in the British Virgin Islands, is wholly and beneficially owned by Mr. Lau Chung Yim, an executive director of the Company.

On 28 June 2010, Nam Hing (B.V.I.) Limited, a wholly owned subsidiary of the Company, as the vendor, Nature Ample Limited as the purchaser and Mr. Lau Chung Yim as the guarantor entered into the sale and purchase agreement with regard to the disposal of the entire issued share capital of Cosmo Terrace Corporation, Fittingco Inc., Majestic Mountain Limited and Ottawa Enterprises Limited (the "Disposed Group") and the relevant sale loans (such transaction referred to as the "Connected Disposal"). Details of the Connected Disposal are set out in the Company's circular dated 24 December 2010. The Connected Disposal was completed on 21 January 2011.

The Disposed Group is principally engaged in manufacturing of copper foils and industrial laminate and trading of industrial laminate with production facilities in the The People's Republic of China and Thailand. Nam Hing Industrial Laminate Limited, a subsidiary of the Group, is engaged mainly in the trading of industrial laminate business. The Disposed Group will supply their finished products to Nam Hing Industrial Laminate Limited for trading, which may compete, directly or indirectly, with the Group's business.

Save for disclosed above, none of the directors of the Company nor their respective associates 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 IN A COMPETING BUSINESS

Save as disclosed in the section headed "Directors' interests in contracts", during the year and up to the date of this report, none of the directors nor their respective associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's businesses pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2011, 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, to be notified to the Company and the Stock Exchange, or as the Company is aware, 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	34,125	0.03

\+ The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 March 2011. As at 31 March 2011, the number of ordinary shares of the Company in issue was 116,558,909 shares of HK$0.001 each.

In addition to the above, as at 31 March 2011, 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 31 March 2011, 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, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2011, the following persons had interests of 5% or more in the issued share capital of the Company according to the register required to be kept by the Company pursuant to Section 336 of the SFO or as the Company is aware:

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	6,875,000	5.90
Pan Chien Pu	Beneficial owner	7,083,333	6.08

\+ The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 March 2011. As at 31 March 2011, the number of ordinary shares of the Company in issue was 116,558,909 shares of HK$0.001 each.

Save as disclosed herein, as at 31 March 2011, 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 the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to 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.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group are set out in Note 42 to the financial statements.

AUDITOR

Ernst & Young has acted as the auditor of the Company for the year ended 31 March 2008. SHINEWING (HK) CPA Limited has acted as the auditor of the Company for the years ended 31 March 2009 and 2010. SHINEWING (HK) CPA Limited has tendered its resignation as auditor of the Company with effect from 14 April 2011. CCTH CPA Limited has been appointed as auditor of the Company with effect from 15 April 2011 to fill the casual vacancy following the resignation of SHINEWING (HK) CPA Limited until the conclusion of the next annual general meeting of the Company.

The consolidated financial statements of the Company for the year ended 31 March 2011 were audited by CCTH CPA Limited who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment. A resolution will be submitted to the forthcoming annual general meeting to re-appoint CCTH CPA Limited as the auditor of the Company.

ON BEHALF OF THE BOARD

Ms. Chen Tong
Chairman

Hong Kong
30 June 2011

Continuing Connected Transactions

During the year, the Group entered into the following continuing connected transactions:–

1. PURCHASE OF MATERIALS

Purchase of industrial laminates by the Group from the entities set out below (the "Disposed Entities"), which the Company disposed of during the year ended 31 March 2011 (please refer to the section headed "Directors' interests in contracts" set out in the "Report of the directors" in this annual report for details of such disposal), under the Master Supply Agreement, First Supplemental Agreement and Second Supplemental Agreement entered into by the Company and Zhongshan Chung Yuen Electronic Applied Materials Company Limited dated 28 June 2010, 30 September 2010 and 21 December 2010, respectively. The Disposed Entities are:

– Bangkok Industrial Laminate Company Limited ("Bangkok Industrial Laminate")
– Cosmo Terrace Corporation
– Fittingco Inc.
– Majestic Mountain Limited
– Natural Century (Thailand) Limited
– Ottawa Enterprises Limited
– Zhongshan Chung Yuen Electronic Applied Materials Company Limited
– Zhongshan Nam Hing Insulating Material Limited
– Zhuhai Nam Hing Long Electronics Company Limited

The maximum amounts of purchases specified in the Second Supplemental Agreement are as follows:

	Maximum amount of purchases HK$
For the period from the completion date of disposal of the Disposed Entities to 31 March 2011	4,000,000
For the year ending 31 March 2012	15,000,000

In respect of the period from the date of completion date of disposal of the Disposed Entities to 31 March 2011, the Group made purchases from the Disposed Entities amounted to RMB2,117,001.

2. LOANS ADVANCES TO THE DISPOSED ENTITIES

Provision of loans advances by the Group to the Disposed Entities for the maximum amount of HK$25,000,000 for the period from the completion date of the disposal of the Disposed Entities to 18 October 2011.

During the period from the date of completion of disposal of the Disposed Entities up to 31 March 2011, no loan advances had been made by the Group to the Disposed Entities.

3. AMOUNTS PAYABLE TO THE DISPOSED ENTITIES

As at 31 March 2011, the Group is indebted to purchaser of the Disposed Entities in the amount of HK$15,077,888 which is unsecured, interest free and repayable on demand.

4. PROVISION OF GUARANTEES

Provision of guarantee by the Company to Bangkok Bank Public Company Limited ("Bangkok Bank") for bank loan facilities to the maximum amount of Thai Baht 70,000,000 granted by Bangkok Bank to Bangkok Industrial Laminate for the period from the completion of the disposal of the Disposed Entities until the release of the corporate guarantee.

As at 31 March 2011, banking facilities regarding promissory note and overdrafts granted by Bangkok Bank to Bangkok Industrial Laminate which remained outstanding amounted to Thai Baht 24,955,117.

Pursuant to the Rule 14A.37 of the Listing Rules, the above continuing connected transactions have been reviewed by the independent non-executive directors of the Company and confirmed that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Company than those available to independent third parties; and

(3) in accordance with the relevant agreement governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to the Rule 14A.38 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The conclusion in the auditor's letter is as follows:

(1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

(3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcement dated 28 June 2010 and the circular dated 24 December 2010 made by the Company in respect of each of the disclosed continuing connected transactions.

CCTH CPA LIMITED
中正天恆會計師有限公司

TO THE SHAREHOLDERS OF CHINA ENVIRONMENTAL ENERGY INVESTMENT LIMITED
(FORMERLY KNOWN AS NAM HING HOLDINGS LIMITED)
(incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of China Environmental Energy Investment Limited (formerly known as Nam Hing Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 126, which comprise the consolidated statement of financial position as at 31 March 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 for the inability to obtain sufficient appropriate audit evidence as explained in the basis for disclaimer opinion paragraphs below, 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 of opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS OF DISCLAIMER OF OPINION

We were appointed as auditor of the Company in April 2011. The consolidated financial statements for the year ended 31 March 2010 have been audited by the predecessor auditor. The auditor's report issued by the predecessor auditor contained a disclaimer opinion regarding, inter alia, the inability to determine whether the income, expenses, assets and liabilities and related disclosures relating to a significant subsidiary of the Company included in the consolidated financial statements for that year have been accurately recorded and properly accounted for in the consolidated financial statements. Our opinion on the current year's consolidated financial statements is also modified because of the possible effect of this matter on the current year's figures and the corresponding prior year's figures included in the consolidated financial statements.

Further, in the absence of the relevant accounting records and supporting documents, we are unable to determine whether the opening balances of the Group's assets and liabilities and accumulated losses at 1 April 2010 are accurately brought forward from the last accounting period. This has caused us not being able to determine whether these assets, liabilities and accumulated losses and the related disclosures have been accurately recorded and accounted for in the consolidated financial statements.

Any adjustments that might have been found to be necessary to the opening balances of the Group's assets, liabilities and accumulated losses at 1 April 2010 may affect the results of the Group for the years ended 31 March 2011 and 2010 and the related disclosures in the consolidated financial statements.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, 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 affairs of the Group as at 31 March 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCTH CPA Limited
Certified Public Accountants
Kwong Tin Lap
Practising certificate number P01953

Hong Kong, 30th June 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
Continuing Operations			
Turnover	7	**53,455**	61,883
Cost of sales		**(42,206)**	(49,493)
Gross profit		**11,249**	12,390
Other income	9	**3,526**	3,564
Gain on disposal of property, plant and equipment		**49,800**	–
Selling and distribution expenses		**(1,932)**	(2,140)
Administrative expenses		**(34,106)**	(23,121)
Finance costs	10	**(2,700)**	(2,806)
Profit/(loss) before taxation	11	**25,837**	(12,113)
Taxation	14	**(4,012)**	(74)
Profit/(loss) for the year from continuing operations		**21,825**	(12,187)
Discontinued Operations			
Loss for the year from discontinued operations	15	**(25,269)**	(27,776)
Loss for the year		**(3,444)**	(39,963)
Loss for the year attributable to owners of the Company:			
Loss for the year from discontinued operations		**(25,269)**	(27,776)
Profit/(loss) for the year from continuing operations		**21,825**	(12,187)
Loss for the year attributable to owners of the Company		**(3,444)**	(39,963)
Exchange difference arising on translation of foreign operations and other comprehensive income		**9,197**	1,142
Total comprehensive income/(expenses) for the year attributable to owners of the Company		**5,753**	(38,821)
Dividends	16	**–**	–
Earnings/(loss) per share	17		
From continuing and discontinued operations			
Basic		**HK(3.77) cents**	HK(44.99) cents
Diluted		**N/A**	N/A
From continuing operations			
Basic		**HK23.88 cents**	HK(13.72) cents
Diluted		**HK22.83 cents**	N/A

Consolidated Statement of Financial Position

As at 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
Non-current assets			
Property, plant and equipment	18	**18,898**	67,199
Investment property	19	**9,380**	6,960
Prepaid lease payments	20	**1,052**	14,800
Available for sale investment	21	**172,888**	–
		202,218	88,959
Current assets			
Inventories	22	**6,449**	14,722
Trade and bills receivables	23	**4,503**	11,721
Other receivables, prepayments and deposits paid	24	**158,124**	49,070
Financial assets at fair value through profit or loss	25	**62**	47
Pledged bank deposits	26	**2,029**	12,041
Bank balances and cash	26	**1,237**	5,618
		172,404	93,219
Current liabilities			
Trade and bills payables	27	**8,807**	21,917
Other payables and accruals	28	**28,699**	17,071
Bank and other borrowings	29	**46,980**	86,833
Obligations under finance leases	30	**–**	65
Tax payable		**4,097**	904
Convertible notes	32	**8,849**	–
		97,432	126,790
Net current assets/(liabilities)		**74,972**	(33,571)
		277,190	55,388
Non-current liability			
Bank and other borrowings	29	**–**	11,543
		277,190	43,845
Capital and reserves			
Share capital	33	**117**	50,272
Reserves		**277,073**	(6,427)
		277,190	43,845

The consolidated financial statements on pages 38 to 126 were approved and authorised for issue by the board of directors on 30 June 2011 and are signed on its behalf by:

Deng Hong Mei
Director

Chan Ching Ho, Kitty
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Share capital	Share premium	Contributed surplus (Note)	Exchange reserve	Capital redemption reserve	Convertible notes equity reserve	Share options reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2009	41,404	127,008	2,031	23,100	464	–	363	(164,007)	30,363
Loss for the year	–	–	–	–	–	–	–	(39,963)	(39,963)
Other comprehensive income for the year	–	–	–	1,142	–	–	–	–	1,142
Total comprehensive income/(expenses) for the year	–	–	–	1,142	–	–	–	(39,963)	(38,821)
Issue of shares upon placing of shares	8,368	44,353	–	–	–	–	–	–	52,721
Issue of shares upon exercise of share options	500	963	–	–	–	–	(363)	–	1,100
Share issue expenses	–	(1,518)	–	–	–	–	–	–	(1,518)
At 31 March 2010	50,272	170,806	2,031	24,242	464	–	–	(203,970)	43,845
At 1 April 2010	50,272	170,806	2,031	24,242	464	–	–	(203,970)	43,845
Loss for the year	–	–	–	–	–	–	–	(3,444)	(3,444)
Other comprehensive income for the year	–	–	–	9,197	–	–	–	–	9,197
Total comprehensive income/(expense) for the year	–	–	–	9,197	–	–	–	(3,444)	5,753
Reduction of share capital	(186,377)	–	186,377	–	–	–	–	–	–
Transferred to accumulated losses	–	–	(186,377)	–	–	–	–	186,377	–
Recognition of the equity component of convertible notes	–	–	–	–	–	34,813	–	–	34,813
Issue of shares on conversion of convertible notes	126,172	75,717	–	–	–	(32,936)	–	–	168,953
Issue of shares upon placing of shares	10,050	19,095	–	–	–	–	–	–	29,145
Share issue expenses	–	(5,319)	–	–	–	–	–	–	(5,319)
At 31 March 2011	**117**	**260,299**	**2,031**	**33,439**	**464**	**1,877**	**–**	**(21,037)**	**277,190**

Note: The contributed surplus 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 Statement of Cash Flows

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Operating activities			
Loss for the year		**(3,444)**	(39,963)
Adjustments for:			
Tax charge recognised in profit or loss		**4,012**	372
Amortisation of prepaid lease payments		**150**	427
Bank interest income		**(6)**	(48)
Depreciation of property, plant and equipment		**15,041**	13,607
Increase in fair value of investment property		**(2,420)**	(1,090)
Fair value change in financial assets at fair value through profit or loss		**(15)**	(19)
Finance costs		**3,007**	3,416
(Gain)/loss on disposal of property, plant and equipment		**(48,647)**	618
Loss on disposal of subsidiaries	38	**7,001**	–
Gain on disposal of investment property held for sale		**–**	(1,688)
Impairment loss recognised in respect of trade receivables		**3,419**	981
Impairment loss recognised in respect of other receivables		**–**	30
Impairment loss recognised in respect of property, plant and equipment		**–**	2,090
Reversal of allowance on inventories		**–**	(3,224)
Write down of inventories		**–**	1,001
Net foreign exchange loss		**6,193**	–
Operating cash flows before movements in working capital		**(15,709)**	(23,490)
Decrease in trade and bills receivables		**2,061**	978
(Increase)/decrease in other receivables, prepayments and deposits paid		**(23,099)**	1,160
Decrease in inventories		**6,013**	15,130
Decrease in trade and bills payables		**(7,130)**	(20,691)
(Decrease)/increase in other payables and accruals		**(1,404)**	4,805
Cash used in operations		**(39,268)**	(22,108)
Income tax (paid)/refunded		**(819)**	602
Net cash used in operating activities		**(40,087)**	(21,506)

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Investing activities			
Deposit paid for acquisition of investment		**(96,000)**	(46,000)
Acquisition of property, plant and equipment		**(41,536)**	(1,702)
Decrease in pledged bank deposits		**10,012**	6,600
Acquisition of available for sale investment		**(25,000)**	–
Proceeds from disposal of property, plant and equipment and prepaid lease payments		**73,863**	288
Disposal of subsidiaries	38	**27,782**	–
Proceeds from disposal of investment property held for sale		**–**	4,291
Bank interest received		**6**	48
Net cash used in investing activities		**(50,873)**	(36,475)
Financing activities			
Issue of new shares		**29,145**	53,821
Share issue expenses		**(5,319)**	(1,518)
Proceeds from borrowings		**25,133**	72,137
Repayments of borrowings		**(63,426)**	(42,737)
Decrease in trust receipt loans		**(6,015)**	(7,133)
Proceeds from issue of convertible notes		**110,000**	–
Interest paid		**(2,280)**	(3,389)
Repayments of obligations under finance leases		**(65)**	(832)
Decrease in advances from banks on Factored Receivables		**(76)**	(271)
Interest paid on finance leases		**–**	(27)
Net cash generated from financing activities		**87,097**	70,051
Net (decrease)/increase in cash and cash equivalents		**(3,863)**	12,070
Cash and cash equivalents at the beginning of the year		**1,129**	(7,218)
Effects of exchange rate changes		**843**	(3,723)
Cash and cash equivalents at the end of the year		**(1,891)**	1,129
Cash and cash equivalents at the end of the year, represented by:			
Bank balances and cash	26	**1,237**	5,618
Bank overdrafts	29	**(3,128)**	(4,489)
		(1,891)	1,129

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 Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and Room 2211, 22/F, Lippo Centre, Tower Two, 89 Queensway, Hong Kong respectively.

Pursuant to a special resolution passed by the shareholders of the Company at the special general meeting held on 18 March 2011, the name of the Company has been changed from "Nam Hing Holdings Limited" to "China Environmental Energy Investment Limited" with the adoption of the new Chinese name "中國環保能源投資有限公司" to replace "南興集團有限公司" for identification purpose.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in Note 41. The Company together with its subsidiaries are referred to as the Group.

Restatement of comparative figures

In the current year, the directors of the Company have determined to discontinue the Laminate Business and the Copper Foils Business (see Note 15), accordingly the consolidated statement of comprehensive income is presented to reflect the discontinued operations. Prior year's comparative figures have been restated accordingly.

Further, as a result of the adoption of Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" (see Note 3), certain prior year comparative figures in the consolidated statement of financial position have been restated.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 March 2011 comprise the Company and its subsidiaries.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and presentation currency.

The consolidated financial statements have been prepared on the historical cost basis, except for investment property and certain financial instruments, which are measured at fair values.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the consolidated financial statements (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. 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.

Estimates made by management that may have a significant risk of material adjustment in the next year are discussed in Note 4.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carry forwards of an acquiree that exist at the acquisition date or arise as a result of acquisition are recognised and measured in accordance with HKAS 12 "Income Tax";

- liabilities or assets relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 "Employee Benefits";

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests proportionate share of the recognised amounts of the acquiree's identifiable net assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Business combinations (continued)

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

(e) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the Group's relevant cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On the disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition

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

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

(ii) 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iii) Rental income is recognised in accordance with the Group's accounting policy for operating lease (see Note(2)(j)).

Deposits and instalments received from customers prior to meeting the above criteria on revenue recognition are included in other payables and accruals under current liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment

Property, plant and equipment (other than freehold land and construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Freehold land is stated at cost less impairment loss, if any, 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. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress 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 impairment loss, if any. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 asset) is included in profit or loss in the period in which the item is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in 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 disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in period in which the property is derecognised.

(i) Investment property held for sale

Investment property is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. 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 property classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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 profit or loss 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 statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses 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.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Prepaid lease payments

Prepaid lease payments are carried at cost less subsequent accumulated amortisation and any accumulated impairment losses. The costs of prepaid lease payments are amortised on a straight-line basis over the relevant lease terms.

(l) 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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Taxation

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 consolidated statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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 associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(p) Inventories

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a Group entity becomes a party to the contractual provisions of the instrument. 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's financial assets comprise of available for sale investments, financial assets at fair value through profit or loss 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.

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 to the net carrying amount on initial recognition.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

Financial assets *(continued)*

Financial assets at fair value through profit or loss ("FVTPL")

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.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement 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.

Available for sale investments

Available for sale investments are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

The available for sale investments, which represent equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables and deposits paid, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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 the end of each reporting period. 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 affected.

For 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 and bills receivables, assets 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, as well as 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables, 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 and bills receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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 loss 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 instruments

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.

Financial liabilities

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

Financial liabilities and equity instruments *(continued)*

Equity instruments

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

Convertible notes

Convertible notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit and loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the lives of the convertible notes using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

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 in other comprehensive income is recognised in profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Share-based payments transactions

Share options granted by the Company to employees of the Group in an equity-settled share-based payment arrangement

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, 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 such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When 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 retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, 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. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 immediately in profit or loss.

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 immediately in profit or loss.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised Standards, Amendments and Interpretations applied in the current year

In the current year, the Group and the Company have applied the following new and revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HK (IFRIC) – Interpretation ("INT") 17	Distributions of Non-cash Assets to Owners
HK – INT 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008

Except as described below, the application of the new and revised standards, amendments and interpretations in the current year has had no material effect on the amounts reported and/or disclosures set out in the Group's consolidated financial statements.

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK – INT 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK – INT 5 for the first time in the current year. HK – INT 5 requires retrospective application.

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

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" (continued)

In order to comply with the requirements set out in HK – INT 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK – INT 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with aggregate carrying amounts of HK$8,957,000 and HK$8,995,000 have been reclassified from non-current liabilities to current liabilities at 31 March 2009 and 31 March 2010 respectively. At 31 March 2011, there is no bank loan that is repayable more than one year after the end of the reporting period but contains a repayment on demand clause.

Such term loans at 31 March 2010 have been restated and included in the earliest time band in the maturity analysis for financial liabilities that reflects the remaining contractual maturities (see Note 6(b)).

The application of HK – INT 5 has had no impact on the reported profit or loss for the current and prior years.

Summary of the effect of the changes in accounting policies

The effects of changes in accounting policies described above on the financial position of the Group at 31 March 2010 and 31 March 2009 are as follows:

	31.3.2010 (originally stated)	Re-classification	31.3.2010 (restated)	1.4.2009 (originally stated)	Re-classification	1.4.2009 (restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowings due within one year	77,838	8,995	86,833	59,000	8,957	67,957
Bank borrowings due after one year	20,538	(8,995)	11,543	22,622	(8,957)	13,665

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

Summary of the effect of the changes in accounting policies (continued)

The consolidated statements of financial position of the Group as at 31 March 2010 and 1 April 2009 have been restated as follows:–

	Notes	**31.3.2010** HK$'000 (Restated)	**1.4.2009** HK$'000 (Restated)
Non-current assets			
Property, plant and equipment		67,199	79,315
Investment properties		6,960	5,870
Prepaid lease payments		14,800	14,926
		88,959	100,111
Current assets			
Inventories		14,722	27,397
Trade and bills receivables		11,721	13,624
Other receivables, prepayments and deposits paid		49,070	4,359
Investment property held for sale		–	2,603
Held for trading investments		47	28
Tax recoverable		–	70
Pledged fixed deposits		12,041	18,641
Bank balances and cash		5,618	1,635
		93,219	68,357
Current liabilities			
Trade and bills payables		21,917	43,175
Other payables and accruals		17,071	12,411
Bank and other borrowings	29	86,833	67,957
Obligations under finance leases		65	832
Tax payables		904	–
		126,790	124,375
Net current liabilities		(33,571)	(56,018)
		55,388	44,093
Non-current liabilities			
Bank and other borrowings	29	11,543	13,665
Obligations under finance leases		–	65
		11,543	13,730
		43,845	30,363
Capital and reserves			
Share capital		50,272	41,404
Reserves		(6,427)	(11,041)
		43,845	30,363

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

The Group and the Company have 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 Issued in 2010[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[6]
HKFRS 11	Joint Arrangements[6]
HKFRS 12	Disclosure of interests in Other Entities[6]
HKFRS 13	Fair Value Measurement[6]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[3]
HKFRS 27 (2011)	Separate Financial Statements[6]
HKFRS 28 (2011)	Investments In Associates and Joint Ventrues[6]
HK (IFRIC) – INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
HK (IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 "Financial instruments" (issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liabilities that is attributable to changes in the credit risk of those liabilities is presented in other comprehensive income, unless the presentation of the effects of changes in the liabilities credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liabilities credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liabilities designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for accounting periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ending 31 March 2014. Based on the Group's and the Company's financial assets and financial liabilities at 31 March 2011, the directors anticipate that the application of the new standard will affect the classification and measurement of the Group's and the Company's available for sale investment and may affect the classification and measurement of other financial assets. At the date of this report, the directors are in the process of assessing the potential financial impact.

The amendments to HKFRS 7 "Disclosures – Transfers of Financial Assets" increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the assets. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's and the Company's disclosures regarding transfers of assets previously effected.

The directors anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the Group's consolidated financial statements and the Company's statement of financial position.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment loss of available for sale investment

Management assessed the recoverability of the available for sale investment based on the present value of the estimated future cash flows expected to arise from the investment and discounted at the appropriate rates of return. Estimation of future cash flows may be adversely affected by the deterioration in financial position of the investee, its industry and sector performances, changes in technology, and operational and financing cash flows. If the carrying amount of the investment is less than its recoverable amount, an impairment loss is recognised in the profit or loss. Variation in the estimated future cash flows and the discount rates used may result in adjustment to the recoverable amount and may give rise to the recognition of an impairment loss. For the years ended 31 March 2011 and 2010, no impairment loss on available for sale investment has been recognised in the consolidated financial statements.

Deposit paid for acquisition of investment

During the year, the Company entered into a framework agreement for the acquisition of an investment. A refundable deposit of approximately HK$96 million was paid and was included in other receivables, prepayments and deposits paid as at 31 March 2011 (see Note 24). Subsequent to 31 March 2011, the Company entered into a sale and purchase agreement with the vendors for the acquisition of the investment for a consideration of HK$850 million, under which a further refundable deposit of HK$174 million was paid by the Company (see Note 42(b)). The directors consider that there is a high possibility of completing the proposed acquisition and in the opinion of the directors, the deposit paid will either be recoverable through the completion of the acquisition in which case the deposit paid would form part of the cost of the investment; or be refunded if the transaction cannot be completed.

Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. When the actual useful lives of property, plant and equipment due to the change of commercial environment are different from their estimated useful lives, such difference will impact the depreciation charges and the amounts of assets written down in future periods.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Factored receivables

Part of trade receivables were factored with recourse to certain banks under certain receivable purchase agreements (the "Factored Receivables"). Based on the risks and rewards of ownership of the Factored Receivables including the risks in respect of default payments, the Group continued to recognise the Factored Receivables in the consolidated statement of financial position at the end of the reporting period. As at 31 March 2011, the Group's Factored Receivables amounted to approximately HK$2,963,000 (2010: HK$1,049,000).

Fair value of investment property

Investment property is carried in the consolidated statement of financial position at its fair value. The fair value was based on a valuation on this property 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 property and the corresponding adjustments to the gain recognised in the consolidated statement of comprehensive income. For the year ended 31 March 2011, the Group recognised an increase in fair value of investment property amounted to approximately HK$2,420,000 (2010: HK$1,090,000).

Impairment loss recognised in respect of trade and other receivables

The Group maintains an allowance for estimated loss arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, debtors' creditworthiness, and historical write-off experience. If the financial condition of its debtors 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. As at 31 March 2011, the carrying amount of trade and other receivables is approximately HK$66,021,000 (net of accumulated impairment loss of approximately HK$3,926,000) (2010: carrying amount of approximately HK$12,842,000 (net of accumulated impairment loss of approximately HK$1,279,000)).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated allowance for 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. As at 31 March 2011, the carrying amount of inventories is approximately HK$6,449,000 (net of accumulated allowance of approximately HK$Nil) (2010: carrying amount of approximately HK$14,722,000 (net of accumulated allowance of approximately HK$3,637,000)).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group consists of net debt, which includes trade and bills payables, other payables and accruals, bank and other borrowings, obligations under finance leases, convertible notes, less bank balances and cash, and equity attributable to owners of the Company, comprising issued share capital and reserves.

5. CAPITAL RISK MANAGEMENT (continued)

The Group reviews the capital structure on a regular basis and manages its capital structure and makes adjustments to it in light of changes in economic conditions.

The Group monitors capital using a gearing ratio, which is net debt divided by the total of capital and net debt. Based on the recommendation of the directors of the Company, the Group's policy is to maintain the gearing ratio not exceeding 70% (2010: 85%). Net debt includes trade and bills payables, other payables and accruals, bank and other borrowings, convertible notes, obligations under finance leases, less bank balances and cash. Capital includes equity attributable to the Group.

	2011	2010
	HK$'000	HK$'000
Trade and bills payables	**8,807**	21,917
Other payables and accruals	**28,669**	17,071
Bank and other borrowings	**46,980**	98,376
Convertible notes	**8,849**	–
Obligations under finance leases	**–**	65
Less: bank balances and cash	**(1,237)**	(5,618)
Net debt	**92,068**	131,811
Equity attributable to the Group	**277,190**	43,845
Capital and net debt	**369,258**	175,656
Gearing ratio	**25%**	75%

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011	2010
	HK$'000	HK$'000
Financial assets		
Available for sale investment	172,888	–
Financial assets at fair value through profit or loss	62	47
Loan and receivables		
– Trade and bills receivables	4,503	11,721
– Other receivables and deposits paid	157,997	47,798
– Pledged bank deposits	2,029	12,041
– Bank balances and cash	1,237	5,618
	338,716	77,225
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and bills payables	8,807	21,917
– Other payables and accruals	28,699	17,071
– Bank and other borrowings	46,980	98,376
– Obligations under finance leases	–	65
– Convertible notes	8,849	–
	93,335	137,429

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include available for sale investment, financial assets at FVTPL, trade and bills receivables, other receivables and deposits paid, pledged bank deposits, bank balances and cash, trade and bills payables and other payables, bank and other borrowings, convertible notes and obligations under finance leases. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Currency risk refers to the risk associated with movements in foreign currency rates which will affect the Group's financial results and its cashflow. Management considers that the Group is not exposed to significant foreign currency risk as the majority of its operations are transacted in the PRC with their functional currency of RMB.

For the two years ended 31 March 2011 and 2010, the Group mainly earned revenue in RMB and incurred costs in HK$ and RMB. Although the Group currently does not have any foreign currency hedging policies, it manages its currency exposure by ensuring that the revenue earned in RMB are used to pay for RMB denominated costs. Funds raised from financing activities which are mainly in HK$ are used to pay for HK$ expenses.

6. FINANCIAL INSTRUMENTS (continued)

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

***Market risk** (continued)*

Currency risk (continued)

The directors do not expect the appreciation of RMB against HK$ to have any material adverse effect on the operation of the Group so no sensitivity analysis is presented.

Fair value and cash flow interest rate risk

The Group has pledged bank deposits, bank balances and bank and other borrowings which bear interest and are therefore exposed to interest rate risk. Pledged bank deposits, bank balances and bank and other borrowings at variable rates expose the Group to cash flow interest-rate risk. Bank and other borrowings at fixed rates expose the Group to fair value interest-rate risk. During the year, the Group has not hedged its cash flow and fair value interest rate risk.

At the end of the reporting period, assuming the pledged bank deposits, bank balances and bank and other borrowings with variable rates had been outstanding for the whole year, if interest rates had increased by 100 basis points (2010: 100 basis points) and all other variables held constant, there was an increase in post-tax loss by approximately HK$437,000 (2010: HK$765,000). If interest rates had decreased by 100 basis points (2010: 100 basis points), there would be an equal but opposite impact on the loss for the year. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

Credit risk

The carrying amount of the trade and other receivables included in the consolidated statement of financial position 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 and other receivables to ensure that adequate impairment provisions are made against the irrecoverable amounts. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

6. FINANCIAL INSTRUMENTS (continued)

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

***Credit risk** (continued)*

As at 31 March 2011, the Group has concentration of credit risk as 6% (2010: 7%) and 18% (2010: 44%) of the total trade and bills receivables were due from the Group's largest and the five largest customers respectively.

As at 31 March 2011, the Group has significant concentration of credit risk arising from deposit paid for the acquisition of investment from an independent third party.

However, the directors of the Company consider that the credit risk is under control since the management exercises due care in entering in new business opportunities by carrying out due diligence procedures on the target investment.

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 had net current assets of approximately HK$74,972,000 as at 31 March 2011 (2010: net current liabilities of approximately HK$33,571,000). 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 longer 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.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities in accordance with the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

6. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk *(continued)*

	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Undiscounted cash flows HK$'000	Carrying amounts HK$'000
As at 31 March 2011					
Trade and bills payables	**8,807**	**–**	**–**	**8,807**	**8,807**
Other payables and accruals	**28,699**	**–**	**–**	**28,699**	**28,699**
Bank and other borrowings	**47,705**	**–**	**–**	**47,705**	**46,980**
Obligations under finance leases	**–**	**–**	**–**	**–**	**–**
Convertible notes (Note)	**307**	**10,854**	**–**	**11,161**	**8,849**
	85,518	**10,854**	**–**	**96,372**	**93,335**
As at 31 March 2010					
Trade and bills payables	21,917	–	–	21,917	21,917
Other payables and accruals	17,071	–	–	17,071	17,071
Bank and other borrowings	89,897	11,975	4,280	106,152	98,376
Obligations under finance leases	66	–	–	66	65
Convertible notes	–	–	–	–	–
	128,951	11,975	4,280	145,206	137,429

Note: This is categorized based on contractual term of redemption at maturity on the assumption that there are no redemption or conversion of the convertible notes outstanding at 31 March 2011 before the maturity date.

6. 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 with standard terms and conditions and traded in active liquid markets is determined with reference to quoted market bid prices and ask prices, respectively; and

- 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.

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are based on observable market data (unobservable inputs).

6. FINANCIAL INSTRUMENTS (continued)

(c) Fair value (continued)

	31 March 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at FVTPL				
– listed equity securities	**62**	**–**	**–**	**62**

	31 March 2010			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
– listed equity securities	47	–	–	47

There were no transfer between the Levels in both of the years presented.

7. TURNOVER

Turnover represents the Group's revenue from the net invoiced value of goods sold, after allowances for trade discounts and returns.

8. SEGMENT INFORMATION

(a) Business segments

The Group's operating and reportable segments which are based on the types of products manufactured are as follows:

Continuing Operations

Trading of laminates: trading of industrial laminates mainly for use in the manufacture of telecommunications, computer-related products, audio and visual household products; and

Manufacture and trading of printed circuit boards ("PCBs"): manufacture and trading of PCBs mainly for use in the manufacture of audio and visual household products.

Discontinued Operations

Manufacture of laminates: manufacture of industrial laminates; and

Manufacture and trading of copper foils: manufacture and trading of copper foils mainly for use in the manufacture of industrial laminates and PCBs.

8. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 March 2011

	Continuing Operations			Discontinued Operations			
	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Sub-total HK$'000	Manufacture of laminates HK$'000	Manufacture and trading of copper foils HK$'000	Sub-total HK$'000	Total HK$'000
Segment revenue:							
Sales to external customers	3,595	49,860	53,455	1,097	4,266	5,363	58,818
Intersegment sales	–	–	–	16,445	1,834	18,279	18,279
Elimination	–	–	–	(16,445)	(1,834)	(18,279)	(18,279)
Revenue from external customers	3,595	49,860	53,455	1,097	4,266	5,363	58,818
Segment results	(497)	(3,253)	(3,750)	(9,776)	(7,475)	(17,251)	(21,001)
Bank interest income			6			–	6
Loss on disposal of subsidiaries			–			(7,001)	(7,001)
Gain on disposal of property, plant and equipment			49,800			14	49,814
Fair value changes in financial assets at fair value through profit or loss			15			–	15
Increase in fair value of investment property			2,420			–	2,420
Other unallocated income			1,085			–	1,085
Unallocated expenses			(21,039)			(724)	(21,763)
Finance costs			(2,700)			(307)	(3,007)
Profit/(loss) before taxation			25,837			(25,269)	568

8. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

***Segment revenue and results** (continued)*

For the year ended 31 March 2010

	Continuing Operations			Discontinued Operations			
	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Sub-total HK$'000	Manufacture of laminates HK$'000	Manufacture and trading of copper foils HK$'000	Sub-total HK$'000	Total HK$'000
Segment revenue:							
Sales to external customers	17,039	44,844	61,883	4,875	2,284	7,159	69,042
Intersegment sales	–	–	–	10,694	6,539	17,233	17,233
Eliminations	–	–	–	(10,694)	(6,539)	(17,233)	(17,233)
Revenue from external customers	17,039	44,844	61,883	4,875	2,284	7,159	69,042
Segment results	(11,727)	2,577	(9,150)	(16,021)	(11,681)	(27,702)	(36,852)
Bank interest income			47			1	48
Gain on disposal of investment properties held for sale			1,688			–	1,688
Fair value changes in financial assets at fair value through profit or loss			19			–	19
Increase in fair value of investment property			1,090			–	1,090
Other unallocated income			767			833	1,600
Unallocated expenses			(3,768)			–	(3,768)
Finance costs			(2,806)			(610)	(3,416)
Loss before taxation			(12,113)			(27,478)	(39,591)

8. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Intersegment sales are charged at prevailing market prices.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of certain other income, central administration costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

No operating segments have been aggregated to the Group's reportable segments.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

As at 31 March 2011

	Continuing Operations			Discontinued Operations			
	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Sub-total HK$'000	Manufacture of laminates HK$'000	Manufacture and trading of copper foils HK$'000	Sub-total HK$'000	Total HK$'000
Assets and liabilities:							
Segment assets	11,774	33,170	44,944	–	–	–	44,944
Unallocated assets			329,678			–	329,678
Consolidated total assets			374,622			–	374,622
Segment liabilities	38,059	25,264	63,323	–	–	–	63,323
Unallocated liabilities			34,109			–	34,109
Consolidated total liabilities			97,432			–	97,432

8. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

***Segment assets and liabilities** (continued)*

As at 31 March 2010

	Continuing Operations			Discontinued Operations			
	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Sub-total HK$'000	Manufacture of laminates HK$'000	Manufacture and trading of copper foils HK$'000	Sub-total HK$'000	Total HK$'000
Assets and liabilities:							
Segment assets	35,023	48,865	83,888	14,355	13,884	28,239	112,127
Unallocated assets			52,840			17,211	70,051
Consolidated total assets			136,728			45,450	182,178
Segment liabilities	15,521	11,332	26,853	5,893	3,513	9,406	36,259
Unallocated liabilities			93,085			8,989	102,074
Consolidated total liabilities			119,938			18,395	138,333

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than certain pledged bank deposits, bank balances and cash, investment property, available for sale investment, financial assets at fair value through profit or loss, other receivables, prepayments and deposits paid, and assets used jointly by reportable segments.

- all liabilities are allocated to reportable segments other than certain bank and other borrowings, obligations under finance leases, tax payable, convertible notes and liabilities for which reportable segments are jointly liable.

8. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Other segment information

In respect of year ended 31 March 2011

	Continuing operations			Discontinued operations			
	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Sub-total HK$'000	Manufacture of laminates HK$'000	Manufacture and trading of copper foils HK$'000	Sub-total HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:							
Depreciation of property, plant and equipment	–	3,727	3,727	7,150	4,122	11,272	14,999
Amortisation of prepaid lease payments	90	31	121	29	–	29	150
Impairment loss recognised in respect of trade receivables	–	3,419	3,419	–	–	–	3,419
Impairment loss recognised in respect of other receivables	–	–	–	–	–	–	–
Impairment loss recognised in respect of property, plant and equipment	–	–	–	–	–	–	–
Gain on disposal of property, plant and equipment	48,647	–	48,647	–	–	–	48,647
Additions to non-current assets	–	41,208	41,208	–	–	–	41,208
Amounts regularly provided to the chief operating decision maker but not include in measure of segment profit or loss or segment assets:							
Depreciation of property, plant and equipment			42			–	42
Bank interest income			6			–	6
Increase in fair value change of investment property			2,420			–	2,420
Finance costs			2,700			307	3,007
Additions to non-current assets			173,216			–	173,216

8. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Other segment information *(continued)*

In respect of year ended 31 March 2010

	Continuing operations			Discontinued operations			
	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Sub-total HK$'000	Manufacture of laminates HK$'000	Manufacture and trading of copper foils HK$'000	Sub-total HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:							
Depreciation of property, plant and equipment	249	3,764	4,013	3,312	6,282	9,594	13,607
Amortisation of prepaid lease payments	190	53	243	184	–	184	427
Impairment loss recognised in respect of trade receivables	386	595	981	–	–	–	981
Impairment loss recognised in respect of other receivables	30	–	30	–	–	–	30
Impairment loss recognised in respect of property, plant and equipment	–	–	–	2,090	–	2,090	2,090
Bank interest income	–	–	–	1	–	1	1
Loss on disposal of property, plant and equipment	581	37	618	–	–	–	618
Additions to non-current assets	–	1,702	1,702	–	–	–	1,702
Amounts regularly provided to the chief operating decision maker but not include in measure of segment profit or loss or segment assets:							
Bank interest income			47			–	47
Increase in fair value change of investment property			1,090			–	1,090
Finance costs			2,875			541	3,416
Additions to non-current assets			–			–	–

8. SEGMENT INFORMATION (continued)

(b) Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	Continuing Operations		Discontinued Operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Sales of laminates	**3,595**	17,039	**1,097**	4,875	**4,692**	21,914
Sales of PCBs	**49,860**	44,844	**–**	–	**49,860**	44,844
Sales of copper foils	**–**	–	**4,266**	2,284	**4,266**	2,284
	53,455	61,883	**5,363**	7,159	**58,818**	69,042

(c) Geographical information

The Group's operations are located in Hong Kong, the PRC, Europe and Thailand.

The following table provides an analysis of the Group's revenue by geographic market, irrespective of the origin of customers:

	Hong Kong		PRC		Europe		Others		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**26,142**	24,724	**5,364**	5,738	**20,547**	32,167	**6,765**	6,413	**58,818**	69,042

8. SEGMENT INFORMATION (continued)

(c) Geographical information (continued)

The following is an analysis of the carrying amount of non-current assets analysed by the geographical areas in which the assets are located:

	Hong Kong		PRC		Others		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:								
Non-current assets	**182,555**	28	**19,663**	77,356	**–**	11,575	**202,218**	88,959

Information about major customers

During the two years ended 31 March 2011 and 2010, no revenues from transactions with any single external customer amounted to 10% or more of the Group's revenues.

9. OTHER INCOME

	Continuing Operations		Discontinued Operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)
Sale of scrap materials	**170**	332	**–**	618	**170**	950
Bank interest income	**6**	47	**–**	1	**6**	48
Rental income	**204**	129	**–**	–	**204**	129
Foreign exchange gains, net	**–**	42	**–**	1,212	**–**	1,254
Fair value change in financial assets at fair value through profit or loss	**15**	19	**–**	–	**15**	19
Increase in fair value of investment property	**2,420**	1,090	**–**	–	**2,420**	1,090
Gain on disposal of investment properties held for sale	**–**	1,688	**–**	–	**–**	1,688
Others	**711**	217	**1,413**	–	**2,124**	217
	3,526	3,564	**1,413**	1,831	**4,939**	5,395

Note: The direct operating expenses from investment property that generated rental income amounted to approximately HK$43,000 for the year (2010: HK$16,000).

10. FINANCE COSTS

	Continuing Operations		Discontinued Operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest expenses on:						
Bank and other borrowings wholly repayable within five years	**1,889**	2,513	**307**	610	**2,196**	3,123
Bank and other borrowings wholly repayable over five years	**–**	221	**–**	–	**–**	221
Factoring arrangements	**84**	45	**–**	–	**84**	45
Obligations under finance leases wholly repayable within five years	**–**	27	**–**	–	**–**	27
Imputed interest on convertible notes (Note 32)	**727**	–	**–**	–	**727**	–
	2,700	2,806	**307**	610	**3,007**	3,416

11. PROFIT/(LOSS) BEFORE TAXATION

The Group's profit/(loss) before taxation is arrived at after charging:

	Continuing Operations		Discontinued Operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(restated)		(restated)		(restated)
Staff costs (including directors' emoluments)						
– Directors' fees, salaries and allowances	**13,503**	8,070	**3,354**	5,495	**16,857**	13,565
– Retirement benefits contributions	**197**	113	**10**	84	**207**	197
	13,700	8,183	**3,364**	5,579	**17,064**	13,762
Auditors' remuneration	**674**	623	**47**	231	**721**	854
Amortisation of prepaid lease payments	**121**	243	**29**	184	**150**	427
Cost of inventories recognised as an expense	**42,206**	40,106	**19,365**	41,647	**61,571**	81,753
Depreciation of property, plant and equipment	**3,769**	3,723	**11,272**	9,884	**15,041**	13,607
Direct operating expenses (including repairs and maintenance) of investment property	**43**	16	**–**	–	**43**	16
Impairment loss recognised in respect of trade receivables	**3,419**	981	**–**	–	**3,419**	981
Impairment loss recognised in respect of other receivables	**–**	30	**–**	–	**–**	30
Impairment loss recognised in respect of property, plant and equipment	**–**	–	**–**	2,090	**–**	2,090
Write down of inventories (included in cost of sales)	**–**	–	**–**	1,001	**–**	1,001
Reversal of allowance on inventories (included in cost of sales)	**–**	–	**–**	(3,224)	**–**	(3,224)
Operating lease rentals in respect of rented premises	**1,083**	360	**–**	–	**1,083**	360
Loss on disposal of property, plant and equipment	**1,153**	618	**–**	–	**1,153**	618

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 13 (2010: 12) directors are:

	2011 HK$'000	2010 HK$'000
Fees	**364**	197
Other emoluments:		
Salaries, allowances and benefits in kind	**1,287**	1,867
Discretionary bonuses	**–**	3
Retirement benefits contribution	**43**	57
	1,330	1,927
	1,694	2,124

An analysis of the emoluments paid or payable to executive, non-executive and independent non-executive directors is as follows:

(a) Executive directors

2011	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
Chen Tong[1]	226	–	–	–	226
Lau Chung Yim	227	–	–	7	234
Chan Ching Ho, Kitty	183	–	–	12	195
Xiang Liang	196	–	–	–	196
Deng Hong Mei	183	–	–	12	195
Lau May Wah[2]	272	–	–	12	284
	1,287	–	–	43	1,330

12. DIRECTORS' EMOLUMENTS (continued)

(a) Executive directors (continued)

2010	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses (Note) HK$'000	Equity-settled share-based payments HK$'000	Retirement benefits contributions HK$'000	Total HK$'000
Lau Kwai[3]	947	–	–	–	947
Lau Chung Yim	294	–	–	18	312
Lau Chung Hung[4]	60	–	–	7	67
Lau Hing Hai[4]	210	–	–	18	228
Lau May Wah	271	–	–	10	281
Chan Ching Ho, Kitty[10]	4	–	–	–	4
Xiang Liang[10]	4	–	–	–	4
Deng Hong Mei[11]	77	3	–	4	84
	1,867	3	–	57	1,927

Note: The discretionary bonuses were determined based on a pro-rata basis for service renders.

(b) Non-executive directors

2011	**Fees HK$'000**	**Retirement benefits contributions HK$'000**	**Total HK$'000**
Yao Zheng Wei[5]	**31**	**–**	**31**

2010	Fees HK$'000	Retirement benefits contributions HK$'000	Total HK$'000
	–	–	–

12. DIRECTORS' EMOLUMENTS (continued)

(c) Independent non-executive directors

2011	**Fees**	**Retirement benefits contributions**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Tse Yuk Kong[6]	**91**	**–**	**91**
Yau Kwan Shan[7]	**96**	**–**	**96**
Pravith Vaewhongs[2]	**80**	**–**	**80**
Zhou Jue[1]	**35**	**–**	**35**
Lam Kwun Fu[8]	**31**	**–**	**31**
Tse Kwong Chan[12]	**–**	**–**	**–**
	333	**–**	**333**

2010	Fees	Retirement benefits contributions	Total
	HK$'000	HK$'000	HK$'000
Tse Yuk Kong[6]	–	–	–
Leung Hon Ming[9]	21	–	21
Yau Kwan Shan[7]	80	–	80
Pravith Vaewhongs	96	–	96
	197	–	197

12. DIRECTORS' EMOLUMENTS (continued)

Notes:

1. Appointed on 15 December 2010
2. Resigned on 26 January 2011
3. Resigned on 1 November 2009
4. Resigned on 16 December 2009
5. Appointed on 26 January 2011
6. Appointed on 18 February 2010 and resigned on 26 January 2011
7. Resigned on 8 June 2011
8. Appointed on 15 December 2010 and resigned on 16 March 2011
9. Resigned on 19 November 2009
10. Appointed on 24 March 2010
11. Appointed on 1 November 2009
12. Appointed on 16 March 2011

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 2011 and 2010.

13. EMPLOYEES' EMOLUMENTS

All the five highest paid employees during both years were directors, details of whose emoluments are set out in Note 12 above.

14. TAXATION

	Continuing Operations		Discontinued Operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)
Hong Kong Profits Tax						
Underprovision in previous year	**–**	74	**–**	–	**–**	74
Overseas taxation						
Current year	**4,012**	–	**–**	298	**4,012**	298
Tax charge for the year	**4,012**	74	**–**	298	**4,012**	372

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 had no assessable profits for both of the two years presented.

Overseas income tax

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of operating subsidiaries of the Company in the PRC is 25%.

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

14. TAXATION (continued)

The tax charge for the year can be reconciled to the profit/(loss) before taxation per the consolidated statement of comprehensive income as follows:

	2011 HK$'000	2010 HK$'000 (restated)
Profit/(loss) before taxation		
Continuing operations	**25,837**	(12,113)
Discontinued operations	**(25,269)**	(27,478)
	568	(39,591)
Notional tax at the domestic rate of 16.5% (2010: 16.5%)	**94**	(6,533)
Tax effect of income not taxable for tax purposes	**(399)**	(611)
Tax effect of expenses not deductible for tax purposes	**1,628**	1,261
Tax effect of tax losses not recognised	**2,689**	6,056
Underprovision in previous year	**–**	74
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	125
Tax charge for the year	**4,012**	372

Details of deferred tax are set out in Note 31.

15. DISCONTINUED OPERATIONS

During the year, the Group discontinued its businesses of manufacture of laminates ("Laminates Business") and of manufacture and trading of copper foils ("Copper Foils Business") on 18 January 2011.

	1.4.2010 to 18.1.2011 HK$'000	**1.4.2009 to 31.3.2010** HK$'000
Loss of Laminates Business for the period/year	(10,496)	(22,828)
Loss of Copper Foils Business for the period/year	(7,772)	(4,948)
	(18,268)	(27,776)
Loss on disposal of subsidiaries	(7,001)	–
	(25,269)	(27,776)

15. DISCONTINUED OPERATIONS (continued)

The results of the Laminates Business and the Copper Foil Business are analysed below:

	Notes	1.4.2010 to 18.1.2011 HK$'000	1.4.2009 to 31.3.2010 HK$'000
Turnover		5,363	7,159
Cost of sales		(19,365)	(30,037)
Gross loss		(14,002)	(22,878)
Other income	9	1,413	1,831
Gain on disposal of property, plant and equipment		14	–
Selling and distribution expenses		(661)	(838)
Administrative expenses		(4,725)	(4,983)
Finance costs	10	(307)	(610)
Loss before taxation	11	(18,268)	(27,478)
Taxation	14	–	(298)
Loss for the period/year		(18,268)	(27,776)
Loss for the period/year attributable to owners of the Company		(18,268)	(27,776)
Cash flows from discontinued operations:			
Net cash outflow from operating activities		(4,023)	(9,114)
Net cash inflow from investing activities		21	1
Net cash outflow from financing activities		(1,592)	(1,468)
Net cash outflow from discontinued operations		(5,594)	(10,581)

16. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2011, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

17. EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of approximately HK$3,444,000 (2010: HK$39,963,000) and on the weighted average ordinary shares of 91,395,598 (2010: 88,833,297) in issue during the year.

The weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share has been adjusted for the consolidation and the rights issue of the Company's shares made during the year and/or up to the date of approval of the consolidated financial statements.

Diluted earnings/loss per share is not presented because the Group sustained a loss for the year and the impact of conversion of convertible notes and exercise of share options, if any, is regarded as anti-dilutive.

From continuing operations

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company	**(3,444)**	(39,963)
Less: Loss for the year from discontinued operations	**25,269**	27,776
Earnings/(loss) from continuing operations for the purpose of basic earnings/(loss) per share	**21,825**	(12,187)
Effect of dilutive potential ordinary shares:		
Imputed interest on convertible notes	**–**	–
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	**21,825**	N/A

17. EARNINGS/(LOSS) PER SHARE (continued)

From continuing operations (continued)

	2011 Shares	2010 Shares
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	**91,395,598**	88,833,297
Effect of dilutive potential ordinary shares:		
Convertible notes	**4,220,890**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**95,616,488**	N/A

The computation of diluted earnings per share for the current year does not assume the conversion of certain convertible notes of the Company since their exercise would result in an increase in earnings per share from continuing operations.

Diluted loss per share for the year ended 31 March 2010 is not presented because the impact of the exercise of share options was anti-dilutive.

18. 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	Construction in progress HK$'000	Total HK$'000
COST								
At 1 April 2009	3,089	108,097	–	308,692	14,320	3,412	26,675	464,285
Additions	–	–	–	622	1,080	–	–	1,702
Disposals	–	–	–	(1,457)	(20)	(803)	–	(2,280)
Exchange realignment	307	3,323	–	11,063	403	7	226	15,329
At 31 March 2010 and 1 April 2010	3,396	111,420	–	318,920	15,783	2,616	26,901	479,036
Additions	–	–	65	37,069	4,152	250	–	41,536
Disposals	–	(62,878)	–	–	–	(2,616)	(26,901)	(92,395)
Derecognised on disposal of subsidiaries	(3,396)	(36,112)	–	(277,868)	–	–	–	(317,376)
Exchange realignment	–	550	–	5,786	882	–	–	7,218
At 31 March 2011	–	12,980	65	83,907	20,817	250	–	118,019
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS								
At 1 April 2009	–	44,692	–	300,689	11,814	3,200	24,575	384,970
Impairment loss recognised	–	–	–	–	–	–	2,090	2,090
Depreciation provided for the year	–	4,837	–	8,322	259	189	–	13,607
Eliminated on disposals	–	–	–	(561)	(10)	(803)	–	(1,374)
Exchange realignment	–	1,780	–	10,166	356	6	236	12,544
At 31 March 2010 and 1 April 2010	–	51,309	–	318,616	12,419	2,592	26,901	411,837
Depreciation provided for the year	–	572	17	10,393	4,038	21	–	15,041
Eliminated on disposals	–	(15,397)	–	–	–	(641)	–	(16,038)
Eliminated on disposal of subsidiaries	–	(28,288)	–	(260,236)	–	(1,951)	(26,901)	(317,376)
Exchange realignment	–	363	–	4,565	729	–	–	5,657
At 31 March 2011	–	8,559	17	73,338	17,186	21	–	99,121
CARRYING AMOUNT								
At 31 March 2011	–	4,421	48	10,569	3,631	229	–	18,898
At 31 March 2010	3,396	60,111	–	304	3,364	24	–	67,199

18. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 March 2010, the carrying amounts of the Group's freehold land and buildings situated in Thailand were approximately HK$3,396,000 and HK$14,196,000 respectively. Such freehold land and buildings were derecognised during the year following the disposal of a subsidiary.

At 31 March 2011, the carrying amount of the Group's buildings situated in the PRC was HK$12,980,000 (2010: HK$45,915,000).

The Group's land and buildings were not pledged as at 31 March 2011. At 31 March 2010, the Group's freehold land and buildings with an aggregate net carrying amount of HK$48,819,000 were pledged for banking facilities granted to the Group (Note 29(a)(i)).

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%

19. INVESTMENT PROPERTY

	2011 **HK$'000**	2010 HK$'000
FAIR VALUE		
At the beginning of the year	**6,960**	5,870
Increase in fair value recognised in the consolidated statement of comprehensive income	**2,420**	1,090
At the end of the year	**9,380**	6,960

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment property as at 31 March 2011 and 2010 was situated in Hong Kong under medium-term leases.

19. INVESTMENT PROPERTY (continued)

The fair value of the Group's investment property at 31 March 2011 has been arrived at on the basis of a valuation carried out as of that date by LCH (Asia-Pacific) Surveyors Limited, an independent firm of qualified professional valuers who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and condition.

At 31 March 2011 and 31 March 2010, the Group's investment property was pledged to a bank for banking facilities granted to the Group (Note 29(a)(ii)).

20. PREPAID LEASE PAYMENTS

	2011	2010
	HK$'000	HK$'000
At the beginning of the year	**15,227**	15,517
Amortised during the year	**(150)**	(427)
Disposal during the year	**(7,936)**	–
Derecognised on disposal of subsidiaries (Note 38)	**(6,656)**	–
Exchange realignment	**600**	137
At the end of the year	**1,085**	15,227
Analysed for reporting purposes as:		
Current asset (included in other receivables, prepayments and deposits paid)	**33**	427
Non-current asset	**1,052**	14,800
	1,085	15,227

At the end of the reporting period, the Group's prepaid lease payments comprise of leasehold land which is situated in the PRC under medium-term leases.

The Group's interest in the leasehold land was not pledged as at 31 March 2011. At 31 March 2010, the Group's interest in leasehold land with the carrying amount of HK$8,609,000 was pledged for banking facilities granted to the Group (Note 29(a)(iii)).

21. AVAILABLE FOR SALE INVESTMENT

	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**172,888**	–

At 31 March 2011, the unlisted shares represent the cost of the Group's 9.9% interest in the issued capital of Swift Profit International Limited ("Swift Profit"), a limited liability company incorporated in the British Virgin Islands and engaging principally in investment holding. The principal asset of Swift Profit is the exclusive license in relation to the technology of manufacturing multi-element polymer batteries for electric vehicles.

The unlisted investment is measured at cost because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

22. INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials	**3,787**	5,460
Work in progress	**2,047**	3,080
Finished goods	**615**	6,182
	6,449	14,722

During the year ended 31 March 2011, no reversal of allowance on inventories (2010: HK$3,224,000) has been recognised and included in cost of sales in the current year as the relevant inventories were either sold or consumed.

23. TRADE AND BILLS RECEIVABLES

	2011 HK$'000	2010 HK$'000
Trade receivables	**8,429**	12,732
Less: allowance for impairment loss	**(3,926)**	(1,249)
	4,503	11,483
Bills receivables	**–**	238
	4,503	11,721

Bills receivables are aged within 90 days from the invoice date.

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

	2011 HK$'000	2010 HK$'000
Within 3 months	**3,170**	8,231
4 to 6 months	**478**	792
Over 6 months	**855**	2,698
	4,503	11,721

23. TRADE AND BILLS RECEIVABLES (continued)

The movements in allowance for impairment losses of trade and bills receivables are as follows:

	2011	2010
	HK$'000	HK$'000
At the beginning of the year	**1,249**	5,325
Impairment losses recognised during the year	**3,419**	981
Bad debts written off	**(742)**	(5,057)
At the end of the year	**3,926**	1,249

As at 31 March 2011, trade receivables of the Group amounting to HK$3,926,000 (2010: HK$872,000) were individually determined to be impaired and impairment loss of the full amount had been recognised. 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 receivables.

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

	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**3,170**	8,231
Less than 3 month past due	**478**	792
4 to 6 months past due	**855**	2,698
	4,503	11,721

The Group's trade and bills receivables that are neither past due nor impaired 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 Group's assessment of their recoverability.

23. TRADE AND BILLS RECEIVABLES (continued)

At 31 March 2011, included in trade receivables of the Group were Factored Receivables (see Note 4) amounted to approximately HK$2,963,000 (2010: HK$1,049,000). The Group continued to recognise the Factored Receivables in the consolidated statement of financial position as, 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, including the risks in respect of default payments, as at the end of the reporting period.

Accordingly, the advances from the relevant banks of approximately HK$911,000 (2010: HK$987,000) received by the Group as consideration for the Factored Receivables at the end of the reporting period were recognised as liabilities and included in "Bank and other borrowings" (Note 29).

At 31 March 2011, trade and bills receivables with the aggregate carrying amount of approximately HK$2,674,000 (2010: HK$7,320,000) were denominated in US$ while the remaining were denominated in the functional currencies of the relevant group entities.

24. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS PAID

	2011	2010
	HK$'000	HK$'000
Other receivables (Note a)	**61,518**	1,121
Prepaid lease payments	**33**	427
Prepayments	**94**	1,272
Deposits paid	**479**	250
Deposits paid for acquisition of an investment (Note b)	**96,000**	46,000
	158,124	49,070

24. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS PAID (continued)

Notes:

(a) Included in other receivables is the outstanding receivable amounted to RMB50,005,000 (equivalent to HK$59,077,000) (2010: Nil) in connection with the disposal of the Group's property, plant and equipment. Such receivable has been fully settled subsequent to 31 March 2011.

The movements in the allowance for impairment losses of other receivables are as follows:

	2011 **HK$'000**	2010 HK$'000
At the beginning of the year	**30**	–
Impairment losses recognised during the year	**–**	30
Derecognised on disposal of subsidiaries	**(30)**	–
At the end of the year	**–**	30

(b) During the year, the Company entered into a framework agreement with certain third parties for the possible acquisition of 80% equity interest in Ideal Market Holdings Limited ("Ideal Market"), a limited company incorporated in the British Virgin Islands. Ideal Market, through its subsidiaries, is principally engaged in the recycling business of waste paper, scrap metal and consumable waste in the PRC.

Pursuant to the framework agreement, the Company is required to make payments to the vender of HK$180,000,000 as earnest money, of which HK$96,000,000 was paid up to 31 March 2011 and recognised as a deposit included in other receivables, prepayments and deposits paid. The earnest money will be refunded to the Company if the Company does not proceed with the possible acquisition.

The balance of the deposits paid at 31 March 2010 of HK$46,000,000 represents deposit on acquisition of equity interest in Swift Profit Limited (Note 21), The acquisition was completed during the year and the deposit on the acquisition has been transferred and formed part of the cost of investment in this entity.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 HK$'000	2010 HK$'000
Equity securities listed in Hong Kong, at market value	**62**	47

As at 31 March 2011, the Group's listed equity securities were pledged to banks for banking facilities granted to the Group (Note 29(a)(v)).

26. PLEDGED BANKS DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits and bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less (2010: six months or less). The bank balances and deposits carry interest at market rates ranging from 0.03% to 0.35% (2010: 0.03% to 0.14%) per annum.

	2011 HK$'000	2010 HK$'000
Pledged bank deposits and bank balances and cash presented in the consolidated statement of financial position	**3,266**	17,659
Time deposits with an original maturity of more than three months when acquired, pledged	**–**	(12,041)
Time deposits with an original maturity of less than three months when acquired, pledged	**(2,029)**	–
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	**1,237**	5,618

27. TRADE AND BILLS PAYABLES

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

	2011	2010
	HK$'000	HK$'000
Within 3 months	**5,281**	6,635
4 to 6 months	**1,459**	3,171
Over 6 months	**2,067**	12,111
	8,807	21,917

The credit period on purchase of goods ranged from 60 to 90 days.

As at 31 March 2011, trade and bills payables with an aggregate carrying amount of approximately HK$3,718,000 (2010: HK$9,319,000) were denominated in US$ while the remaining balances were denominated in the functional currencies of the relevant group entities.

28. OTHER PAYABLES AND ACCRUALS

	2011	2010
	HK$'000	HK$'000
Other payables	**19,884**	9,315
Accruals	**8,815**	7,756
	28,699	17,071

Included in other payables are amounts due to the purchaser of the Disposed Entities amounted to approximately HK$15,078,000 at 31 March 2011 (see note 40(b)(ii)).

As at 31 March 2011, other payables and accruals with an aggregate carrying amount of approximately HK$2,301,000 (2010: HK$873,000) were denominated in US$ while the remaining balances were denominated in the functional currencies of the relevant group entities.

29. BANK AND OTHER BORROWINGS

	Effective interest rate 2011	Effective interest rate 2010	31.3.2011 HK$'000	31.3.2010 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
Bank loans:					
Bank overdrafts	**5.25%**	5.25%	**3,128**	4,489	8,853
Trust receipt loans	**5.25%**	5.25%	**931**	6,946	14,079
Advances from banks on Factored Receivables	**5.25%**	5.25%	**911**	987	1,258
Other bank loans	**5.25% – 7.25%**	5.25% – 7.25%	**12,353**	31,398	26,951
			17,323	43,820	51,141
Loans from directors	**Nil – 3%**	Nil – 5.50%	**8,648**	51,642	29,481
Loans from related companies	**Nil – 2.55%**	5.25% – 7.25%	**5,558**	2,914	1,000
Loans from former directors	**Nil – 0.984%**	N/A	**12,668**	–	–
Other borrowings	**Nil**	N/A	**2,783**	–	–
			46,980	98,376	81,622
Analysed as:					
Secured			**17,323**	43,820	51,141
Unsecured			**29,657**	54,556	30,481
			46,980	98,376	81,622
Carrying amounts repayable:					
On demand or within one year			**46,980**	86,833	67,957
More than one year, but not exceeding two years			**–**	4,069	3,467
More than two years but not more than five years			**–**	5,633	8,877
More than five years			**–**	1,841	1,321
			46,980	98,376	81,622
Less: Amounts due within one year shown under current liabilities			**(46,980)**	(86,833)	(67,957)
			–	11,543	13,665

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 amount of approximately HK$ Nil (2010: HK$48,819,000) (Note 18);

(ii) the Group's investment property with the carrying amount of HK$9,380,000 (2010: HK$6,960,000) (Note 19);

(iii) the Group's prepaid lease payments with an aggregate carrying amount of approximately HK$ Nil (2010: HK$8,609,000) (Note 20);

(iv) the Group's Factored Receivables with an aggregate carrying amount of HK$2,963,000 (2010: HK$1,049,000) (Note 23);

(v) the Group's listed equity securities with an aggregate carrying amount of HK$62,000 (2010: HK$47,000) (Note 25); and

(vi) the Group's pledged bank deposits amounting to HK$2,029,000 (2010: HK$12,041,000) (Note 26).

(b) Except for the borrowings with aggregate amounts of Thailand Baht Nil (2010: Thailand Baht 28,683,333), RMB9,655,000 (2010: RMB18,341,000) and US$92,000 (2010: US$880,000) which are denominated in Baht, RMB and US$, respectively, all the Group's bank and other borrowings are denominated in HK$.

(c) Loans from directors of the Company of HK$7,625,000 (2010: HK$6,562,000) are unsecured, interest free and repayable on demand. The remaining loans from directors of the Company of HK$1,023,000 (2010: HK$45,080,000) are unsecured, bearing interest at the rates of 3% (2010: 2.35% to 5.5%) per annum and repayable on demand or within one year from 31 March 2011 (2010: repayable on demand or within 14 years with the last instalments due in September 2010, November 2010, March 2018 and May 2020).

(d) The loans from related companies to the extent of HK$2,623,000 (2010: HK$2,914,000) carried interest at the Hong Kong dollar prime rate with the remaining balance interest free. Such loans are unsecured and repayable on demand (2010: 32 to 48 monthly instalments from 31 March 2010).

(e) The loans from former directors, which are interest free except for an amount of HK$138,000 (2010: Nil) bearing interest at 0.984% per annum, are unsecured and repayable on demand or within one year from 31 March 2011.

(f) The other borrowings are unsecured, interest free and repayable on demand.

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 been fully settled within the year.

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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable within one year under finance leases	**–**	66	**–**	65
Less: Future finance charges	**–**	(1)	**N/A**	N/A
Present value of lease obligations	**–**	65	**–**	65
Less: Amount due for settlement within one year (shown under current liabilities)			**–**	(65)
Amount due for settlement after one year			**–**	–

It is the Group's policy to lease certain of its machineries under finance lease. For the year ended 31 March 2011, the average effective borrowing rate was 9.75 % (2010: 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 were secured by the lessor's charge over the leased assets.

All obligations under finance leases are denominated in HK$.

31. DEFERRED TAXATION

At the end of the reporting period, the Group had unused tax losses of approximately HK$23,164,000 (2010: HK$247,067,000) available for offset against future profits. No deferred tax asset has been recognised for the year ended 31 March 2010 and 2011. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

32. CONVERTIBLE NOTES

On 18 October 2010, 19 November 2010 and 3 December 2010, the Company issued convertible notes which are interest free with an aggregate principal amount of HK$20,000,000, HK$40,000,000 and HK$50,000,000 and due on the maturity dates of 18 October 2012, 19 November 2012 and 3 December 2012 respectively (collectively referred to as the "110m Notes"). The convertible notes with the principal amount of HK$20,000,000, or HK$40,000,000 and HK$50,000,000 are convertible into new shares of the Company at any time on or after 18 October 2010, 19 November 2010 and 3 December 2010 respectively until the business days immediately preceding the maturity dates by the noteholders at the initial conversion prices of HK$0.259, HK$0.209 and HK$0.10 per share respectively, subject to adjustment. Unless previously converted, purchased and cancelled, the 110m Notes would be redeemed at 100% of the outstanding principal amounts on the respective maturity dates.

The 110m Notes were fully converted into new shares of the Company at the initial conversion prices during the year.

On 31 December 2010, the Company issued convertible notes with an aggregate principal amount of HK$99,000,000 (the "99m Notes"), due on the maturity date of 31 December 2013 and bearing interest at 3% per annum. The 99m Notes were issued as part of the consideration for the acquisition of 9.9% issued share capital of Swift Profit International Limited (Note 21). The 99m Notes are convertible at any time on or after 31 December 2010 until the business day immediately preceding the maturity date by the noteholders into new shares of the Company at the initial conversion price of HK$0.18 per share, subject to adjustment. Unless previously converted, purchased and cancelled, the 99m Notes will be redeemed at 100% of the outstanding principal amount on the maturity date.

The 99m Notes with an aggregate principal amount of HK$88,760,000 were converted into new shares of the Company at the initial conversion price during the year.

32. CONVERTIBLE NOTES (continued)

Both of the 110m Notes and 99m Notes contain two components: liability and equity elements. The fair values of the liability components of the convertible notes were determined based on the valuations conducted by LCH (Asia-Pacific) Surveyors Limited, an independent firm of business and financial services valuers, using market rates for a similar non-convertible note. The fair value of the liability component was calculated using discount rates ranging from 8.49% to 9.1% per annum. The movement of the liability component of the 110m Notes and 99m Notes for the year is set out below:

	110m Notes	**99m Notes**	**Total**
	HK$'000	HK$'000	HK$'000
Fair value of convertible notes issued during the year			
– Proceeds of issue	110,000	–	110,000
– Acquisition of available for sale investment	–	101,888	101,888
	110,000	101,888	211,888
Equity component	(16,670)	(18,143)	(34,813)
Liability component at date of issue	93,330	83,745	177,075
Interests calculated at an effective interest rate of 9.1% per annum	–	727	727
Converted during the year	(93,330)	(75,623)	(168,953)
At 31 March 2011	**–**	**8,849**	**8,849**

At 31 March 2011, the 99m Notes with an aggregate principal amount of HK$10,240,000 (2010: Nil) remained outstanding. These outstanding convertible notes have been fully redeemed subsequent to 31 March 2011.

The conversion price of the 99m Notes has been revised to HK$2.88 per share in March 2011 and HK$0.343 per share in April 2011 as a result of the share consolidation of the Company made during the year and the rights issue of the new shares of the Company made subsequent to 31 March 2011 respectively.

33. SHARE CAPITAL

	Number of shares		Nominal amount	
	2011	2010	**2011**	2010
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary shares of HK$0.10 each at 1 April 2010 (2010: at 1 April 2009)	**1,000,000**	500,000	**100,000**	50,000
Increase in authorised share capital (Note a)	**9,000,000**	500,000	**900,000**	50,000
Share consolidation (Note d(i))	**(9,375,000)**	–	**–**	–
Reduction of share capital (Note d(ii))	**–**	–	**(999,375)**	
Increase in authorised capital (Note d(iii))	**999,375,000**	–	**999,375**	–
Ordinary shares of HK$0.001 each at 31 March 2011 (2010: ordinary shares of HK$0.10 each at 31 March 2010)	**1,000,000,000**	1,000,000	**1,000,000**	100,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each at 1 April 2010 (2010: at 1 April 2009)	**502,723**	414,038	**50,272**	41,404
Issue of shares upon exercise of share options (Note b)	**–**	5,000	**–**	500
Issue of shares upon placing of new shares (Note c)	**–**	83,685	**–**	8,368
Issue of shares on conversion of convertible notes (Note e)	**768,608**	–	**76,861**	–
Issue of shares on conversion of convertible notes (Note f)	**493,111**	–	**49,311**	–
Issue of shares on placing of new shares (Note g)	**100,500**	–	**10,050**	–
Share consolidation (Note d(i))	**(1,748,383)**	–	**–**	–
Reduction of share capital (Note d(ii))	**–**	–	**(186,377)**	–
Ordinary shares of HK$0.001 each at 31 March 2011 (2010: ordinary shares of HK$0.10 each at 31 March 2010)	**116,559**	502,723	**117**	50,272

Notes:

(a) Pursuant to a special general meeting held on 16 August 2010 (2010: 30 September 2009), the Company increased its authorised share capital by HK$900,000,000 (2010: HK$50,000,000), by the creation of 9,000,000,000 (2010: 500,000,000) additional shares of HK$0.10 (2010: HK$0.10) each.

(b) During the year ended 31 March 2010, 5,000,000 share options were exercised by a director and certain employees of the Company at a subscription price of HK$0.22 per share for a total consideration of HK$1,100,000, resulting in the issue of 5,000,000 new ordinary shares of HK$0.10 each.

(c) On 17 December 2009, the Company entered into a placing agreement with a financial institution to place 83,685,000 new ordinary shares of the Company at HK$0.63 per share. The placing was completed on 30 December 2009.

33. SHARE CAPITAL (continued)

Notes: (continued)

(d) Pursuant to the resolutions passed in the Company's special general meeting held on 18 March 2011, the Company effected a capital reorganisation as follows:

(i) every sixteen issued and unissued shares of par value HK$0.10 each in the Company were consolidated into one consolidated share of par value HK$1.60 each;

(ii) the par value of each consolidated share was then reduced from HK$1.60 to HK$0.001 by the cancellation of HK$1.599 of the par value, resulting in a new par value of HK$0.001 for each consolidated share. The reduction of the share capital resulted in the credit of approximately HK$186,377,000 to contributed surplus which was then transferred to accumulated losses; and

(iii) the authorised share capital of the Company was increased to HK$1,000,000,000 by the creation of 999,375,000 additional shares of HK$0.001 each.

(e) During the year ended 31 March 2011, the 110m Notes were fully converted into new shares of the Company as follows:

Date	Principal amount of the 110m Notes converted	Number of ordinary shares issued	Conversion price per share
	HK$		HK$
25 October 2010	20,000,000	77,220,077	0.259
26 November 2010	40,000,000	191,387,559	0.209
29 December 2010	45,000,000	450,000,000	0.10
7 January 2011	5,000,000	50,000,000	0.10
	110,000,000	768,607,636	

(f) During the year ended 31 March 2011, portion of the 99m Notes were converted into new shares of the Company as follows:

Date	Principal amount of the 99m Notes converted	Number of ordinary shares issued	Conversion price per share
	HK$		HK$
7 January 2011	20,920,000	116,222,224	0.18
10 January 2011	2,000,000	11,111,111	0.18
11 January 2011	440,000	2,444,444	0.18
19 January 2011	45,000,000	249,999,997	0.18
28 January 2011	20,400,000	113,333,333	0.18
	88,760,000	493,111,109	

(g) On 31 May 2010, the Company entered into a placement agreement with a financial institution under which 100,500,000 new ordinary shares of the Company were issued at a price of HK$0.29 per share, giving rise to a gross proceed of HK$29,145,000 (before expense).

All the new ordinary shares issued and allotted during the year rank pari passu in all respect with the then existing ordinary shares of the Company.

34. 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").
Eligible participants	(i) any employee (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company or any of its subsidiaries or Invested Entity; (ii) any supplier of goods or services to any member of the Group or any Invested Entity; any customer of the Group or any Invested Entity; any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and (iii) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.
Total number of ordinary shares available for issue under the Scheme and the percentage of the issued share capital that it represents as at the date of the annual report	6,781,030 ordinary shares of HK$0.01 each and approximately 2% of the issued share capital.

34. SHARE OPTION SCHEME (continued)

Maximum entitlement of each eligible participant

Where any grant or further grant of options to an eligible 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.

34. 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 quotations sheets 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 quotations 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.

For the year ended 31 March 2011

No share options were granted, exercised, lapsed or cancelled during the year ended 31 March 2011 and no share options were outstanding as at that date.

34. SHARE OPTION SCHEME (continued)

For the year ended 31 March 2010

				Number of shares issuable under options				
Category of eligible participants	Date of grant	Exercisable period	Exercise Price	Balance at 1 April 2009	Granted	Exercised	Lapsed/ cancelled	Balance at 31 March 2010
Director	23/10/2007	23/10/2007 – 22/10/2009	HK$0.22	4,000,000	–	(4,000,000)	–	–
Employee	23/8/2008	23/8/2008 – 22/8/2010	HK$0.22	1,000,000	–	(1,000,000)	–	–
				5,000,000	–	(5,000,000)	–	–
Exercisable at the end of the year								–
Weighted average exercise price (HK$)				0.22	–	0.22	–	–

The share options were immediately vested at the date of grant.

The weighted average share price at the date of exercise for share options exercised during that year was HK$0.31.

35. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

The Group has participated in defined contribution retirement schemes established under Mandatory Provident Fund Ordinance ("MPF schemes") for its employees in Hong Kong. The assets of the MPF Schemes are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF Schemes, each of the employer and its employees are generally required to make contributions to the schemes at 5% of the employee's relevant monthly income, up to a maximum of HK$1,000 per month.

35. EMPLOYEE RETIREMENT BENEFITS (continued)

Defined contribution retirement plan (continued)

The employees of PRC subsidiaries of the Group are members of state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

No forfeited contributions were recognised during the year and there were no material forfeitures available to reduce the Group's future contributions at 31 March 2011 and 2010.

36. COMMITMENTS

(a) Capital commitments

As at 31 March 2011, the Group had contracted commitment for the outstanding payment of earnest money of HK$84,000,000 (2010: Nil) in connection with the possible acquisition of an investment (Note 24(b)).

(b) Operating lease commitments

The Group as lessor

The Group leases its investment property (Note 19) and certain of its office properties under operating lease arrangements, with the leases negotiated for terms ranging from two to three years (2010: one to two years). The terms of the leases also require the tenants to pay security deposits.

At the end of the reporting period, the Group had total future minimum lease receivables under the non-cancellable operating leases with its tenants falling due as follows:

	2011	2010
	HK$'000	HK$'000
Within one year	**216**	60
In the second to fifth years, inclusive	**72**	40
	288	100

At the end of the reporting period, the rental yield for the year ended 31 March 2011 is approximately 2% (2010: 2%).

36. COMMITMENTS (continued)

(b) Operating lease commitments (continued)

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 the end of the reporting period, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	2011	2010
	HK$'000	HK$'000
Within one year	**724**	330

37. CONTINGENT LIABILITIES

	2011	2010
	HK$'000	HK$'000
Guarantee given in respect of banking facilities granted to a former subsidiary (Note 40 (b)(iii))	**16,848**	–

As a director of the Company and the purchaser of the Disposed Entities (Note 38) have indemnified any losses arising from the guarantee given by the Group, the directors consider that any losses sustained by the Group relating to the guarantee is unlikely to materialise. No provision for loss has therefore been made in this respect.

38. DISPOSAL OF SUBSIDIARIES

On 18 January 2011, a subsidiary of the Company disposed of the entire equity interests in and shareholders' loans to its former subsidiaries, namely Cosmo Terrace Corporation, Fittingco Inc., Majestic Mountain Limited and Ottawa Enterprises Limited to a company which is wholly-owned by Mr. Lau Chung Yim, a director of the Company, for a consideration of HK$28,000,000. These former subsidiaries together with their subsidiaries (collectively referred to as the "Disposed Entities") were principally engaged in the businesses of manufacture of laminates and manufacture and trading of copper foils. Upon the disposal of the Disposed Entities, the Group discontinued the businesses undertaken by the Disposed Entities.

38. DISPOSAL OF SUBSIDIARIES (continued)

	HK$'000
Carrying amounts of assets and liabilities over which control was lost:	
Prepaid lease payments	6,656
Trade and bills receivables	1,738
Other receivables, prepayments and deposits paid	22,728
Amounts due from group companies	15,078
Inventories	2,260
Bank balances and cash	218
Trade and bills payables	(5,980)
Other payables and accruals	(2,046)
Bank and other borrowings	(5,651)
Net assets disposed of	35,001
Loss on disposal	(7,001)
	28,000
Satisfied by:	
Cash consideration for the disposal	28,000
Net cash inflow arising on the disposal of subsidiaries	
Consideration received in cash	28,000
Less: bank balances disposed of	(218)
Net cash inflow arising on the disposal	27,782

Net cash flows during the year arising from the Disposed Entities are set out in Note 15.

39. MAJOR NON-CASH TRANSACTIONS

As referred to in Note 32, the Company issued convertible notes with an aggregate principal amount of HK$99,000,000 as part of the consideration for the acquisition of 9.9% issued share capital of Swift Profit International Limited.

40. 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	2011 HK$'000	2010 HK$'000
Interest paid to directors	(i)	**9**	230
Interest paid to a related company	(ii)	**263**	213
Rental expense paid to directors		**420**	360
Rental income received from a related company		**60**	60

Notes:

(i) The interest paid to directors of the Company arose from the loans advanced from the directors during the two years ended 31 March 2011 and 2010. Further details of the loans are disclosed in Note 29.

(ii) The interest 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 2011 and 2010. Further details of the loan are disclosed in Note 29.

(b) As referred to in Note 38, the Group disposed of the Disposed Entities to a company (the "Purchaser")which is wholly-owned by Mr. Lau Ching Yim, a director of the Company, for a consideration of HK$28,000,000. In addition, the Group had the following transactions with the Purchaser and the Disposed Entities for the period from the date of their disposal to 31 March 2011:

(i) The Group had made purchases of goods from the entities in the Disposed Entities amounted to approximately HK$2,500,000.

(ii) The Group had payables to the Purchaser of the Disposed Entities amounted to approximately HK$15,078,000 outstanding at 31 March 2011 which are unsecured, interest free and repayable on demand.

40. RELATED PARTY TRANSACTIONS (continued)

(b) (continued)

(iii) The Company has provided a corporate guarantee of Thailand Baht 70,000,000 (equivalent to HK$16,848,000) to a bank for banking facilities granted by the bank to an entity in the Disposed Entities. Such facilities to the extent of HK$6,271,000 were utilised by the entity as at 31 March 2011, details of which are as follows:

Name of the entity:	Bangkok Industrial Laminate Company Limited
Name of the related director:	Lau Chung Yim
Maximum liability of the Company under the guarantee	
– at the date of disposal of the Disposed Entities:	HK$5,651,000
– at 31 March 2011:	HK$6,271,000
Amount paid and liability incurred by the Company for the purpose of fulfilling the guarantee or discharging the security:	Nil

The director, Lau Chung Yim, and the Purchaser have indemnified any losses of the Company arising from the corporate guarantee.

(c) Outstanding balances with related parties:

(i) Details of the Group's loans from directors and former directors as at the end of the reporting period are disclosed in Note 29.

(ii) Details of the Group's loans from related companies, in which a director of the Group has a beneficial interest, as at the end of the reporting period are disclosed in Note 29.

40. RELATED PARTY TRANSACTIONS (continued)

(d) Compensation of key management personnel, which are principally the directors of the Company, of the Group:

	2011	2010
	HK$'000	HK$'000
Short-term employee benefits	**1,330**	2,067
Post-employment benefits	**364**	57
Total compensation paid to key management personnel	**1,694**	2,124

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.

41. PRINCIPAL SUBSIDIARIES

Particulars of the Group's principal subsidiaries as at 31 March 2011 and 2010 are as follows:

Name of company	**Place of incorporation/ registration and operations**	**Nominal value of issued share/ registered capital**	**Percentage of equity attributable to the Company**		**Principal activities**
			2011	2010	
Benevolent Corporation	British Virgin Islands	US$10	**100**	100	Investment holding
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[1]	**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	Trading and manufacture of copper foils
Zhongshan Nam Hing Insulating Materal Limited[2]	PRC	HK$93,000,000	**–**	100	Temporarily suspended on production activities[4]

41. PRINCIPAL SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2011	2010	
Nam Hing Circuit Board (Dongguan) Co., Ltd.[2, 3]	PRC	HK$38,376,800/ HK$40,000,000	**100**	100	Manufacture of printed circuit boards
Suzhou Nam Hing Industrial Laminate Co., Ltd.[2]	PRC	US$6,800,000	**100**	100	See note 5 below
Zhongshan Chung Yuen Electronic Applied Material Company Limited[2]	PRC	HK$2,000,000	**–**	100	Manufacture of laminates

Notes:

1 Non-voting deferred shares.

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

3 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.

4 During the year ended 31 March 2010, the business license of Zhongshan Nam Hing Insulating Materials Limited had been expired. The Group is still in the process of applying for a renewal of the license from the PRC Government. Subsequent to the end of the reporting period and up to the date of this report, the directors of the Company are negotiating with the PRC Government for the renewal of the business license.

5 Suzhou Nam Hing Industrial Laminate Co., Ltd. ("Suzhou Nam Hing") was engaged in the manufacture of laminates. During the year, Suzhou Nam Hing ceased its manufacture operations and became inactive thereafter.

Except for Nam Hing (B.V.I.) Limited, which operates in Hong Kong, all of the places of operations of the subsidiaries 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.

42. EVENTS AFTER THE REPORTING PERIOD

(a) During the year, the Company proposed to implement a rights issue of the new shares of the Company at the subscription price of HK$0.068 per rights share on the basis of twenty six (26) rights shares for every one (1) new share held. Subsequent to 31 March 2011, the rights issue became unconditional and 3,030,531,634 new shares of HK$0.001 each were issued by the Company pursuant to the terms of the rights issue, giving rise to a gross proceed of approximately HK$206.08 million (before expenses).

(b) On 9 May 2011, the Company entered into the sale and purchase agreement, pursuant to which the Company has conditionally agreed to acquire 80% equity interest in and shareholder's loans to Ideal Market Holdings Limited (see Note 24(b)) for the consideration of HK$850 million. Deposits totalling HK$270 million (including the deposit of HK$96 million paid at 31 March 2011) were paid by the Company up to the date of approval of the consolidated financial statements. Management of the Company expects that the outstanding consideration for the acquisition, if materialised, will be settled in the combination of cash, issue of promissory notes and convertible notes.

(c) On 27 May 2011, the Company proposed to implement a share consolidation scheme on the basis that every ten (10) issued and unissued shares of HK$0.001 each in the share capital of the Company will be consolidated into one (1) consolidated share of HK$0.01 each in the issued share capital of the Company. The share consolidation was effected on 30 June 2011.