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**NAM HING HOLDINGS LIMITED**  
**南興集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 986)**

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR ENDED 31 MARCH 2009  
AND RESUMPTION OF TRADING**

**ANNUAL RESULTS**

The Board of Directors (the “Board”) of Nam Hing Holdings Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2009 together with the comparative figures for the year ended 31 March 2008 as follows:

**CONSOLIDATED INCOME STATEMENT**

*Year ended 31 March 2009*

	<i>Notes</i>	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Turnover	5	<b>129,394</b>	302,813
Cost of sales		<b>(127,683)</b>	(298,953)
Gross profit		<b>1,711</b>	3,860
Other income	5	<b>6,425</b>	14,249
Gain on disposal of investment properties held for sale		<b>10,187</b>	–
Selling and distribution expenses		<b>(4,569)</b>	(8,150)
Administrative expenses		<b>(34,875)</b>	(41,752)
Fair value changes in held for trading investments		<b>(1,735)</b>	(69)
Fair value changes in investment properties		<b>(1,490)</b>	600
Impairment loss recognised in respect of property, plant and equipment		<b>(52,438)</b>	(47,442)
Impairment loss recognised in respect of trademark		–	(2,329)
Finance costs	6	<b>(5,354)</b>	(10,004)

\* *For identification purposes only*

		<b>2009</b>	2008
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Loss before income tax	7	<b>(82,138)</b>	(91,037)
Income tax expenses	8	<u>(267)</u>	<u>(528)</u>
Loss for the year		<u><b>(82,405)</b></u>	<u>(91,565)</u>
Loss per share	10		
Basic		<u><b>(19.99) cents</b></u>	<u>(22.62) cents</u>
Diluted		<u><b>N/A</b></u>	<u>N/A</u>

# CONSOLIDATED BALANCE SHEET

31 March 2009

		2009	2008
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>79,315</b>	145,800
Investment properties		<b>5,870</b>	7,360
Prepaid lease payments		<b>14,926</b>	15,431
Trademark		<u>—</u>	<u>—</u>
		<b><u>100,111</u></b>	<u>168,591</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>27,397</b>	44,412
Trade receivables	<i>11</i>	<b>13,624</b>	67,294
Other receivables, prepayments and deposits paid		<b>4,359</b>	6,028
Investment properties held for sale		<b>2,603</b>	14,640
Held for trading investments		<b>28</b>	3,645
Tax recoverable		<b>70</b>	184
Pledged fixed deposits		<b>18,641</b>	12,579
Cash and bank balances		<b><u>1,635</u></b>	<u>2,537</u>
		<b><u>68,357</u></b>	<u>151,319</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>12</i>	<b>43,175</b>	61,604
Other payables and accruals		<b>12,411</b>	20,284
Bank and other borrowings		<b>59,000</b>	114,063
Obligations under finance leases		<b><u>832</u></b>	<u>823</u>
		<b><u>115,418</u></b>	<u>196,774</u>
<b>NET CURRENT LIABILITIES</b>		<b><u>(47,061)</u></b>	<u>(45,455)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u><u>53,050</u></u></b>	<u><u>123,136</u></u>

	<b>2009</b>	2008
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>41,404</b>	40,984
Reserves	<b>(11,041)</b>	73,395
	<u><b>30,363</b></u>	<u>114,379</u>
<b>NON-CURRENT LIABILITIES</b>		
Bank and other borrowings	<b>22,622</b>	7,860
Obligations under finance leases	<b>65</b>	897
	<u><b>22,687</b></u>	<u>8,757</u>
	<u><b>53,050</b></u>	<u>123,136</u>

*NOTES:*

**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").

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

**2. BASIS OF PRESENTATION**

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

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

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

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

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

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

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

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

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

HKFRSs (Amendments)	Improvements to HKFRSs May 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs April 2009 <sup>2</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>3</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>3</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>4</sup>
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>3</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>4</sup>
HKFRS 1	First-time Adoption of HKFRSs <sup>9</sup>
HKFRS 1 (Revised)	First-time Adoption of HKFRSs <sup>4</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>3</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>3</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>9</sup>
HKFRS 3 (Revised)	Business Combinations <sup>4</sup>
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments <sup>3</sup>
HKFRS 8	Operating Segments <sup>3</sup>

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

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

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

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

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

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

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

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

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

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

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

#### 4. SEGMENT INFORMATION

##### (a) Business segments

Segment information about these business is presented below:

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

	Manufacture and sale of laminates		Manufacture and sale of PCBs		Manufacture and sale of copper foils		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>										
Sales to external customers	55,031	198,273	72,899	101,854	1,464	2,686	-	-	129,394	302,813
Intersegment sales	22,716	36,185	-	-	17,858	77,554	(40,574)	(113,739)	-	-
Other income	5,831	15,473	189	(2,581)	581	1,357	(1,244)	-	5,357	14,249
<b>Total</b>	<b>83,578</b>	<b>249,931</b>	<b>73,088</b>	<b>99,273</b>	<b>19,903</b>	<b>81,597</b>	<b>(41,818)</b>	<b>(113,739)</b>	<b>134,751</b>	<b>317,062</b>
<b>Segment results</b>	<b>(62,439)</b>	<b>(79,132)</b>	<b>4,441</b>	<b>273</b>	<b>(25,459)</b>	<b>(2,419)</b>			<b>(83,457)</b>	<b>(81,278)</b>
Bank interest income									313	494
Gain on disposal of investment properties held for sale									10,187	-
Unallocated income									755	897
Unallocated expenses									(4,582)	(1,146)
Finance costs									(5,354)	(10,004)
Loss before income tax									(82,138)	(91,037)
Income tax expenses									(267)	(528)
Loss for the year									(82,405)	(91,565)
<b>Assets and liabilities:</b>										
Segment assets	61,441	162,066	54,682	73,827	25,084	42,895	-	-	141,207	278,788
Unallocated assets									27,261	41,122
Consolidated total assets									168,468	319,910
Segment liabilities	13,283	33,150	25,731	34,868	12,895	13,670	-	-	51,909	81,688
Unallocated liabilities									86,196	123,843
Consolidated total liabilities									138,105	205,531
<b>Other segment information for the year ended 31 March:</b>										
Depreciation of the property, plant and equipment	4,401	7,972	4,314	3,888	6,824	7,434	-	-	15,539	19,294
Amortisation of prepaid lease payments	206	190	225	194	-	-	-	-	431	384
Fair value changes in investment properties	-	-	-	-	-	-	-	-	1,490	(600)
Impairment loss recognised in respect of trade receivables	3,999	6,134	1,326	1,347	-	-	-	-	5,325	7,481
Impairment loss recognised in respect of property, plant and equipment	43,438	47,442	-	-	9,000	-	-	-	52,438	47,442
Reversal of impairment loss recognised in respect of trade receivables	-	-	-	(219)	-	-	-	-	-	(219)
Gain on disposal of property, plant and equipment	180	-	-	(4,284)	(242)	-	-	-	(62)	(4,284)
Gain on disposal of prepaid lease payments	-	(967)	-	-	-	-	-	-	-	(967)
Write down of inventories	-	2,046	-	-	-	-	-	-	-	2,046
Capital expenditure	-	1,211	1,301	5,961	1,177	1,528	-	-	2,478	8,700



(b) *Geographical segments*

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

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

5. **REVENUE, OTHER INCOME AND GAINS**

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances and trade discounts. An analysis of revenue, other income and gains is as follows:

	2009	2008
	HK\$'000	HK\$'000
<b>Revenue</b>		
Sale of goods	<u>129,394</u>	<u>302,813</u>
<b>Other income and gains</b>		
Sale of scrap materials	398	2,521
Bank interest income	313	494
Rental income	251	297
Foreign exchange gains, net	4,897	4,999
Gain on disposal of items of property, plant and equipment	62	4,284
Gain on disposal of prepaid lease payments	-	967
Reversal of impairment loss recognised		
in respect of trade receivables	-	219
Others	<u>504</u>	<u>468</u>
	<u>6,425</u>	<u>14,249</u>
	<u>135,819</u>	<u>317,062</u>

## 6. FINANCE COSTS

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

## 7. LOSS BEFORE INCOME TAX

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

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

## 8. INCOME TAX EXPENSES

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

### *Hong Kong Profits Tax*

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

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

### *Overseas income tax*

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

### *PRC Tax*

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

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

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

## 9. DIVIDENDS

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

## 10. LOSS PER SHARE

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

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

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

## 11. TRADE RECEIVABLES

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

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

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

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

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

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

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

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

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

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

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

Accordingly, the advances from the relevant banks of approximately HK\$1,258,000 (2008: HK\$27,134,000) received by the Group as consideration for the Factored Receivables at the balance sheet date were recognised as liabilities and included in "Bank and other borrowings".

## 12. TRADE AND BILLS PAYABLES

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

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

## **SUMMARY OF INDEPENDENT AUDITORS' REPORT ON THE GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009**

### **Basis for disclaimer of opinion: fundamental uncertainty relating to the going concern basis**

The Group incurred a loss for the year ended 31 March 2009 of approximately HK\$82,405,000 and, as at 31 March 2009, the Group reported consolidated net current liabilities of approximately HK\$47,061,000. In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As detailed in note 2 to the consolidated financial statements, the Group is currently undertaking a number of measures to improve its financial and current liquidity position. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the continuous support from the Group's existing bankers and the ability to realise the assets to meet the Group's future working capital and financial requirements. The consolidated financial statements do not include any adjustments that may be necessary should the implementation of such measures be unsuccessful. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation, but we consider that this fundamental uncertainty relating to whether the going concern basis is appropriate is so extreme that we have disclaimed our opinion.

### **Disclaimer of opinion**

Because of the significance of the fundamental uncertainty relating to the going concern basis, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of the Group's affairs as at 31 March 2009 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND PROSPECTS**

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

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

#### **Industrial Laminate Division**

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

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

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



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

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

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

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

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

### **Copper Foil Division**

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

## **Outlook**

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

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

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

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

The overall financial position of the Group as at 31 March 2009 is less favourable as compared with that of the last year. Although concerted efforts have been made to reduce the bank borrowing level, the management considers the current ratio and gearing ratio to be unsatisfactory and will put in further efforts to rectify, through certain financing activities, the net current liability situation arising from the mismatch of short-term and long-term borrowings in previous years. Furthermore, the management has already implemented plans to dispose of certain non-operating properties and assets to provide additional working capital for the Group's operations.

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

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

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

## **PLEDGE OF ASSETS**

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

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

During the year under review, the Group continued to reduce the size of its workforce and strengthen staff quality through staff development and training programmes. The Group had approximately 519 employees as at 31 March 2009 (2008: 915). Remunerations are commensurate with the nature of job, experience and market conditions. Eligible employees are offered discretionary bonuses and share options depending on the Group's performance and individual effort. The principle is reward for performance.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

## **AUDIT COMMITTEE**

The Audit Committee of the Company comprises three members, being the three independent non-executive directors of the Company. The Audit Committee has reviewed the Company's consolidated financial statements for the year ended 31 March 2009 and discussed auditing, financial and internal control, and financial reporting matters of the Company.

## **CORPORATE GOVERNANCE**

The Board is of the view that the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31 March 2009.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the shares of the Company has been suspended with effect from 9:30 a.m. on 31 July 2009 pending the issue of this annual results announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 27 August 2009.

On behalf of the Board

**Lau Kwai**  
*Chairman*

Hong Kong, 26 August 2009

As at the date of this announcement, the directors of the Company are:

*Executive Directors:*

Mr Lau Kwai (*Chairman*)

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

Mr Lau Chung Hung

Mr Lau Hing Hai

Ms Lau May Wah

*Independent Non-executive Directors:*

Mr Leung Hon Ming

Mr Pravith Vaewhongs

Mr Yau Kwan Shan