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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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Ngai Lik Industrial Holdings Limited
(毅力工業集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 332)

**OFFEREE BOARD CIRCULAR RELATING TO
THE MANDATORY UNCONDITIONAL CASH OFFER
BY SOMERLEY LIMITED ON BEHALF OF SUCCESS PIONEER LIMITED
FOR ALL THE ISSUED SHARES OF HK\$0.01 EACH IN
NGAI LIK INDUSTRIAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY
SUCCESS PIONEER LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

**Financial adviser to
Ngai Lik Industrial Holdings Limited**



Independent financial adviser to the Independent Board Committee



A letter from the Board is set out on pages 7 to 10 of this circular.

A letter from the Independent Board Committee containing its recommendation in respect of the Offer to the Independent Shareholders is set out on pages 11 to 12 of this circular.

A letter from the independent financial adviser, Veda Capital, containing its advice to the Independent Board Committee is set out on pages 13 to 26 of this circular.

1 February 2010

* For identification purposes only

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EXPECTED TIMETABLE

The following timetable for the Offer is principally extracted from the Offer Document.

2010

Offer opens for acceptance.	Monday, 18 January
Latest time and date for acceptance of the Offer (Notes 1 and 3)	4:00 p.m. on Wednesday, 17 February
Closing date (Note 1).	Wednesday, 17 February
Announcement of the results of the Offer posting on the Stock Exchange's website (Note 1).	by 7:00 p.m. on Wednesday, 17 February
Latest date of posting of remittance in respect of valid acceptances received on or before the latest time for acceptance of the Offer (Note 2)	Saturday, 27 February

Notes:

1. The latest time for acceptance of the Offer is 4:00 p.m. on Wednesday, 17 February 2010. The Offer, which is unconditional, will be closed on Wednesday, 17 February 2010 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror will issue an announcement by 7:00 p.m. on Wednesday, 17 February 2010 as to whether the Offer has been revised, extended or expired and, in relation to any extension of the Offer, to state either the next closing date or that the Offer will remain open until further notice.
2. Payment will be made as soon as possible, but in any event within 10 days of the date of receipt by the Registrar, from the Shareholders accepting the Offer, of the valid requisite documents. Please refer to the paragraph headed "Settlement" in Appendix I to the Offer Document.
3. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in paragraph headed "Right of withdrawal" in Appendix I to the Offer Document.

All time and date references contained in this circular refer to Hong Kong time and dates.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“acting in concert”	the same meaning ascribed to it under the Takeovers Code
“Administrators”	the administrators sanctioned by the Supreme Court of Bermuda and the Court of First Instance of the High Court of Hong Kong in respect of the Scheme
“associate(s)”	the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday and a Sunday and a day on which a tropical cyclone warning number 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general banking business in Hong Kong throughout their normal business hours
“Capital Reorganisation”	the restructuring of the share capital of the Company which became effective on 11 January 2010 and comprise the reduction of the par value of each then issued Share from HK\$0.10 to HK\$0.01 by the cancellation of HK\$0.09 of the paid-up capital on each then issued Share and the sub-division of the authorised but then unissued Share of par value HK\$0.10 into 10 Shares of par value HK\$0.01 each
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Circular”	the circular dated 30 September 2009 issued by the Company in relation to, among other things, the Capital Reorganisation, the Group Reorganisation, the Scheme and the Subscription
“Company” or “Issuer”	Ngai Lik Industrial Holdings Limited (Stock Code: 332), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board
“Companies Act”	Companies Act 1981 of Bermuda
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)

DEFINITIONS

“Completion”	completion of the Subscription Agreement which took place on 11 January 2010
“Concert Group”	the Offeror and parties acting in concert with it, including but not limited to, Mr. Lau, Mr. Kuok, Mr. Tam and Mr. Yeung
“connected person(s)”	the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time or any of its delegate
“Form of Acceptance”	the form of acceptance and transfer of the Shares in respect of the Offer which accompanies the Offer Document
“Former Group”	The Company and its subsidiaries prior to completion of the Group Reorganisation
“Group” or “Retained Group”	the Company and its subsidiaries after completion of the Group Reorganisation
“Group Reorganisation”	the group reorganisation of the Company which became effective on 11 January 2010, resulting in the existing Group comprising the Company and the Retained Subsidiaries (together with all intermediate holding companies)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	Shareholder(s), other than the Concert Group
“Independent Board Committee”	the independent board committee of the Board comprising six independent non-executive Directors, namely, Mr. Ng Chi Yeung, Simon, Mr. Tam Yuk Sang, Sammy, Mr. Ho Lok Cheong, Dr. Leung Hoi Ming, Mr. Wong Chi Keung and Mr. Tom Xie, formed to give recommendation to the Independent Shareholders on the Offer
“Last Trading Day”	6 February 2009, being the last trading date prior to the signing of the Subscription Agreement
“Latest Practicable Date”	29 January 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the securities market operated by the Stock Exchange prior to the establishment of growth enterprise market (“GEM”) (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Mr. Kuok”	Mr. Kuok Hoi Sang
“Mr. Lau”	Mr. Lau Ching Kei
“Mr. Tam”	Mr. Tam Norman Hok Cheong
“Mr. Yeung”	Mr. Yeung Kwai Tong
“Offer”	the unconditional mandatory cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) made by Somerley on behalf of the Offeror
“Offer Document”	the offer document issued by the Offeror on 18 January 2010, which sets out, among other things, details of the Offer
“Offer Price”	HK\$0.012 per Share payable in cash by the Offeror under the Offer
“Offer Shares”	all the issued Share(s) other than those already owned or agreed to be acquired by the Concert Group
“Registrar”	Tricor Tengis Limited, Hong Kong branch share registrar and transfer office of the Company located at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period beginning six months prior to 6 January 2009, being the date of the announcement issued by the Company in respect of a possible change in control of the Company, and ended on the Latest Practicable Date
“Retained Subsidiaries”	the subsidiaries of the Company immediately following the Completion, namely, Din Wai Services (Macao Commercial Offshore) Limited, Din Wai Digital Limited, Grand More Enterprises Limited, Ngai Lik Enterprises Limited and Ngai Lik Industrial Limited

DEFINITIONS

“Scheme”	the scheme of arrangement for the Company pursuant to Section 166 of the Companies Ordinance, and pursuant to Section 99 of the Companies Act 1981 of Bermuda, which became effective on 11 January 2010
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of a par value of HK\$0.01 as at the date of this circular or of HK\$0.10 in respect of the period before the Capital Reorganisation came into effect (as the case may be) in the existing issued share capital of the Company
“Share Consideration”	the sum of HK\$83,500,000 for the subscription of the Subscription Shares
“Shareholder(s)”	holder(s) of the Shares
“Somerley”	Somerley Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the financial adviser to the Offeror in respect of the Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Offeror pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 9 February 2009 entered into between the Company (as issuer) and the Offeror (as subscriber) in relation to the Subscription as amended, varied, supplemented from time to time
“Subscription Price”	the price of approximately HK\$0.012 per Subscription Share payable by the Offeror pursuant to the Subscription Agreement
“Subscription Shares”	the 7,137,150,000 Shares of par value of HK\$0.01 each subscribed for by the Offeror, representing approximately 90% of the enlarged issued share capital of the Company immediately upon Completion
“substantial shareholder(s)”	the same meaning ascribed to it under the Listing Rules

DEFINITIONS

“Success Pioneer” or “Offeror”	Success Pioneer Limited, a company incorporated in the British Virgin Islands with limited liability
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Veda Capital”	Veda Capital Limited, a corporation licensed to carry out type 6 regulated activity as defined under the SFO, being the independent financial adviser to the Independent Board Committee in respect of the terms of the Offer
“%”	per cent.

LETTER FROM THE BOARD



Ngai Lik Industrial Holdings Limited
(毅 力 工 業 集 團 有 限 公 司) *

(Incorporated in Bermuda with limited liability)

(Stock Code: 332)

Directors

Executive Directors

Mr. Yeung Kwai Tong
Mr. Lau Ching Kei
Dr. Lam Man Chan
Ms. Ting Lai Ling
Ms. Ting Lai Wah
Mr. Yeung Cheuk Kwong
Mr. Lam Shing Ngai

Non-Executive Director

Mr. Tam Norman Hok Cheong

Independent Non-Executive Directors

Dr. Leung Hoi Ming
Mr. Wong Chi Keung
Mr. Tom Xie
Mr. Ng Chi Yeung, Simon
Mr. Tam Yuk Sang, Sammy
Mr. Ho Lok Cheong

Principal Office

Flat 29-32
8/F., Block B
Focal Industrial Centre
21 Man Lok Street
Hungghom
Kowloon

Registered Office

Clarendon House
Church Street
Hamilton HM11
Bermuda

1 February 2010

To the Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER
BY SOMERLEY LIMITED ON BEHALF OF SUCCESS PIONEER LIMITED
FOR ALL THE ISSUED SHARES OF HK\$0.01 EACH IN
NGAI LIK INDUSTRIAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY
SUCCESS PIONEER LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Circular and the subsequent announcements dated 27 October 2009, 4 November 2009, 3 December 2009 and 11 January 2010, respectively, issued by the Company with regards to, among other things, the Capital Reorganisation, the Group Reorganisation, the Scheme and the Subscription.

* For identification purposes only

LETTER FROM THE BOARD

The Completion took place on 11 January 2010. Immediately after Completion and as at the Latest Practicable Date, the Concert Group was interested in 7,137,150,000 Shares, representing approximately 90.0% of the enlarged issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares not already owned or agreed to be acquired by the Concert Group.

The Independent Board Committee comprising six independent non-executive Directors (who have no direct or indirect interest in the Offer), namely, Mr. Ng Chi Yeung, Simon, Mr. Tam Yuk Sang, Sammy, Mr. Ho Lok Cheong, Dr. Leung Hoi Ming, Mr. Wong Chi Keung and Mr. Tom Xie, has been appointed to make recommendation in respect of the Offer to the Independent Shareholders. Veda Capital has been appointed as the independent financial adviser to advise the Independent Board Committee on the Offer. The Independent Board Committee has approved the appointment of Veda Capital.

The purpose of this circular is to provide you with, among other things, information relating to the Group and the Offer as well as setting out the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Offer and the letter from Veda Capital containing its advice to the Independent Board Committee in respect of the Offer.

THE OFFER

Somerley is making, on behalf of the Offeror, the Offer on the terms and subject to the conditions set out in the Offer Document and in the Form of Acceptance on the following basis:

For each Offer Share HK\$0.012 in cash

The Offer is unconditional in all respects.

Further terms of the Offer were set out in the Offer Document and the Form of Acceptance.

INFORMATION ON THE GROUP

The Company is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board. The principal businesses of the Group involve the design and sale of electronic products.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in British Virgin Islands. Please refer to the Offer Document for more information about it.

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the Offer Document for the intentions of the Offeror regarding the business of the Group.

LETTER FROM THE BOARD

Regarding the intentions of the Offeror in respect of the Group and its employees, the Board is willing to render reasonable co-operation with the Offeror for the smooth running of the business of the Group.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Board understands from the Offeror that it has no intention to privatise the Company and intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer.

In order to ensure that immediately upon the close of the Offer, the Shares held “in public hands” (as such term is understood in accordance with Rule 8.24 of the Listing Rules) will not be less than 25% of the Company’s entire issued ordinary share capital, the Offeror will, subject to and as allowed under the Takeovers Code, arrange for placement of such amount of Shares to other investors who are independent and not connected with the directors, the chief executives and the substantial shareholders of the Offeror and the Company and their respective subsidiaries and associates (as defined in the Listing Rules), to be effective immediately upon the close of the Offer to ensure that 25% of the Company’s issued share capital will be held by the public immediately upon the close of the Offer.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient issued Shares in public hands to maintain an orderly market, the Company will be in breach of Rule 8.08 of the Listing Rules and the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares until a sufficient level of public float is attained.

The Stock Exchange has also stated that if the Company remains a listed company on the Stock Exchange, it will closely monitor all future acquisitions or disposals of assets by the Company. Any acquisitions or disposals of assets by the Company will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has the discretion to require the Company to issue an announcement and/or a circular to the Shareholders irrespective of the size of any proposed transaction, particularly when such proposed transaction represents a departure from the principal activities of the Company. The Stock Exchange also has the power pursuant to the Listing Rules to aggregate a series of acquisitions of assets by the Company and any such acquisitions may result in the Company being treated as if it were a new listing applicant and subject to the requirements of new listing applications as set out in the Listing Rules.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letters from the Independent Board Committee and Veda Capital, respectively, which set out their recommendations and opinions in relation to the Offer and the principal factors considered by them before arriving at their recommendations. You are also advised to read the Offer Document and the Form of Acceptance in respect of the acceptance and settlement procedures of the Offer.

Yours faithfully,
By order of the Board
Ngai Lik Industrial Holdings Limited
Lam Man Chan
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Ngai Lik Industrial Holdings Limited
(毅 力 工 業 集 團 有 限 公 司) *

(Incorporated in Bermuda with limited liability)

(Stock Code: 332)

1 February 2010

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER
BY SOMERLEY LIMITED ON BEHALF OF SUCCESS PIONEER LIMITED
FOR ALL THE ISSUED SHARES OF HK\$0.01 EACH IN
NGAI LIK INDUSTRIAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY
SUCCESS PIONEER LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the offeree board circular (the “Offeree Board Circular”) dated 1 February 2010 issued by the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Offeree Board Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned.

Veda Capital has been appointed as the independent financial adviser to the Independent Board Committee to advise us in respect of the terms of the Offer. Details of its advice and principal factors taken into consideration in arriving at its recommendation are set out in the letter from Veda Capital on pages 13 to 26 of the Offeree Board Circular.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having taken into account the terms of the Offer and the advice and recommendation of Veda Capital and the principal factors and reasons taken into consideration by it in arriving at its opinion, we consider that the terms of the Offer are not fair or reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders not to accept the Offer.

Yours faithfully,
For and on behalf of the
Independent Board Committee of
Ngai Lik Industrial Holdings Limited

Mr. Ng Chi Yeung, Simon **Mr. Tam Yuk Sang, Sammy** **Mr. Ho Lok Cheong**
Dr. Leung Hoi Ming **Mr. Wong Chi Keung** **Mr. Tom Xie**
Independent Non-executive Directors

LETTER FROM VEDA CAPITAL

The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee in relation to the Offer, which has been prepared for the purpose of inclusion in this circular.

VEDA | CAPITAL
智略資本

Veda Capital Limited
Suite 1302, 13/F, Takshing House
20 Des Voeux Road Central
Hong Kong

1 February 2010

*To the Independent Board Committee of
Ngai Lik Industrial Holdings Limited*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER
BY SOMERLEY LIMITED ON BEHALF OF SUCCESS PIONEER LIMITED
FOR ALL THE ISSUED SHARES OF HK\$0.01 EACH IN
NGAI LIK INDUSTRIAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY
SUCCESS PIONEER LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in relation to the Offer, details of which are set out in the “Letter from the Board” contained in the document of the Company dated 1 February 2010 (the “**Offeree Board Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Offeree Board Circular unless the context requires otherwise.

On 9 February 2009, the Company entered into the Subscription Agreement with the Offeror pursuant to which the Company had conditionally agreed to allot and issue to the Offeror, and the Offeror has conditionally agreed to subscribe for the Subscription Shares at the Share Consideration. The Completion took place on 11 January 2010. Immediately after Completion and as at the Latest Practicable Date, the Concert Group was interested in 7,137,150,000 Shares, representing approximately 90.0% of the enlarged issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares, other than those already owned by or agreed to be acquired by the Concert Group.

LETTER FROM VEDA CAPITAL

The Independent Board Committee (comprising six independent non-executive Directors, namely Mr. Ng Chi Yeung, Simon, Mr. Tam Yuk Sang, Sammy, Mr. Ho Lok Cheong, Dr. Leung Hoi Ming, Mr. Wong Chi Keung and Mr. Tom Xie) has been formed to advise the Independent Shareholders on the terms of the Offer. We have been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Offer and such appointment has been approved by the Independent Board Committee.

BASIS OF OUR ADVICE

In formulating our opinion and recommendation, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Offeree Board Circular and the Offer Document and provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, opinions and representations contained or referred to in the Offeree Board Circular and the Offer Document were true and accurate at the time when they were made and should there be any material changes thereto, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Offeror in the Offeree Board Circular and the Offer Document were reasonably made after due enquiries and considerations. We have no reason to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Offeree Board Circular and the Offer Document to provide a reasonable basis for our opinions and recommendations. The Directors have confirmed that having made all reasonable enquiries, to the best of their knowledge, there are no other facts or representations the omission of which would make any statement in the Offeree Board Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group and/or the Offeror.

In formulating our opinion, we have not considered the taxation implications on the Independent Shareholders arising from acceptances or non-acceptances of the Offer as these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offer. In particular, the Independent Shareholders who are overseas residents or are subject to overseas taxation or Hong Kong taxation on securities dealings should consult their own tax positions, and if in any doubt, should consult their own professional advisers.

LETTER FROM VEDA CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Offer and in giving our recommendation to the Independent Board Committee, we have taken into account the following principal factors and reasons:

Historical financial performance and prospects of the Group

The Company is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board. The principal businesses of the Group involve the design and sale of electronic products.

(i) Financial year ended 31 March 2009 versus financial year ended 31 March 2008

For the year ended 31 March 2009, the Group recorded turnover from continuing operations of approximately HK\$1,538.27 million, representing a decrease of approximately 38.67% from that for the year ended 31 March 2008 of approximately HK\$2,508.09 million. As set out in the annual report of the Company for the year ended 31 March 2009 (“**AR 2009**”) and advised by the Company, the decrease in turnover was mainly attributable to the weak demand of the consumer electronic products as a direct result of the financial tsunami in the second half of 2008.

According to AR 2009, the Group reported (i) a gross loss and loss attributable to the Shareholders of approximately HK\$135.69 million and approximately HK\$916.33 million respectively for the year ended 31 March 2009; and (ii) a gross profit and loss attributable to the Shareholders of approximately HK\$132.51 million and approximately HK\$136.55 million respectively for the year ended 31 March 2008. As advised by the Company, the gross loss was mainly attributable to high level of overheads resulting from smaller production scale which was under sub-optimal levels, increase in royalties, impairment loss on inventories mainly resulting from cessation of unprofitable product lines, severance payment for headcounts reduction and provision for PRC employees’ termination benefit. We were also advised by the Company that the increase in loss attributable to the Shareholders by approximately 571.05% was mainly attributable to the abovementioned factors and the increase in impairment loss on property, plant and equipment.

(ii) Six months ended 30 September 2009 versus six months ended 30 September 2008

For the six months ended 30 September 2009, the Group recorded turnover from continuing operations of approximately HK\$462.84 million, representing a decrease of approximately 58.0% from that for the six months ended 30 September 2008 of approximately HK\$1,102.11 million. As set out in the interim report of the Company for the six months ended 30 September 2009 (“**IR 2009**”) and advised by the Company, the decline in turnover was mainly attributable to the negative impact arising from the Group restructuring and the lack of normal credit facilities available to finance its business and operation and the weak demand of the consumer electronic products as a direct result of financial tsunami in the second half of 2008.

LETTER FROM VEDA CAPITAL

According to IR 2009, the Group reported (i) a gross profit and loss attributable to the Shareholders of approximately HK\$24.41 million and approximately HK\$55.57 million respectively for the six months ended 30 September 2009; and (ii) a gross profit and loss attributable to the Shareholders of approximately HK\$51.32 million and approximately HK\$74.91 million respectively for the six months ended 30 September 2008. As advised by the Company, the decrease of gross profit by approximately 52.44% was mainly attributable to decrease in turnover. We were also advised by the Company that the decrease in loss attributable to the Shareholders by approximately 25.82% was mainly attributable to the netting off effect of the gain from the disposal of the business of manufacture and trading of mobile electronics products.

(iii) *Material uncertainties in AR 2009 and IR 2009*

AR 2009

We noted from AR 2009 that auditors of the Company, even though without qualifying its opinion, had expressed uncertainty opinions concerning:

- (a) the going concern basis of the Group's accounts for the year 31 March 2009 because the Group incurred a net loss of approximately HK\$916 million during the year ended 31 March 2009 and as at that date, its current liabilities exceeded its current assets by approximately HK\$512 million. Furthermore, during the year, and as at 31 March 2009, the Group has breached certain terms and defaulted on the repayment of certain banking facilities. As at 31 March 2009, loan repayments in the aggregate sum of approximately HK\$192 million were overdue and HK\$156 million of bank borrowings became repayable on demand as a result of the breach;
- (b) the potential tax liabilities of the Group in respect of the taxability of profits of certain subsidiaries of the Group for the years of assessment 1991/92 to 1995/96. The hearing of the appeal in respect of the taxability of profits (the "**Tax Appeal**") of certain subsidiaries for the years of assessment 1991/92 to 1995/96 was held on 8 July 2009 and the Company expects the Court of Final Appeal (the "**CFA**") to deliver judgment in or about August 2009 (Updates of the CFA judgment have been set out in below paragraph "IR 2009"). In relation to the Tax Appeal, the Group has made provision of approximately HK\$12.8 million (included in taxation payable in the consolidated balance sheet as at 31 March 2009), which represents the Directors' best estimate of the potential tax liability and the Group has purchased tax reserve certificates totaling approximately HK\$9 million (included in taxation recoverable in the consolidated balance sheet as at 31 March 2009) which may be used to settle the liability should it arise. Depending on the outcome of the Tax Appeal, the Group may become liable for penalties of up to three times the tax under charged. However, in such respect, prior to the delivery of written judgment of the Tax Appeal, in the opinion of the Directors, a reliable estimate of the amount of penalties, if any, cannot be made by that time and accordingly, no provision for penalties in such regard has been made in the consolidated financial statements; and

LETTER FROM VEDA CAPITAL

- (c) the contingent liabilities of the Group because a subsidiary of the Company is the defendant in a lawsuit claiming damages of defective products and compensation for losses of approximately HK\$12 million and HK\$146 million, respectively. In the opinion of the Directors, the litigation was premature and at the stage of collation of evidence and the eventual outcome of the lawsuit could not be determined by that time with accuracy, and accordingly, no provision for any liability has been made in the consolidated financial statement. We were advised by the Company that on 31 July 2009, the claimant entered into a settlement agreement with the subsidiary of the Company and based on such agreement, the claimant has agreed to pay GBP200,000 (equivalent to HK\$2,284,000) to the subsidiary. Accordingly, the litigation has been settled upon entering into the agreement with the claimant. As at the Latest Practicable Date, the amount has been fully settled.

IR 2009

We also noted from the independent review report as set out in IR 2009 that the auditors of the Company, even though without qualifying its opinion, had expressed uncertainty opinions (the “**IR Uncertainty Opinions**”) concerning the potential tax liabilities of the Group. As set out in IR 2009, the hearing of the Tax Appeal in respect of the taxability of profits of a subsidiary (the “**Subsidiary**”) of the Company for the years of assessment 1991/92 to 1995/96 was held on 8 July 2009. On 24 July 2009, CFA concluded that the additional assessments raised by the Inland Revenue Department (the “**IRD**”) for the years of assessment 1991/92 to 1995/96 were not validly made by the IRD. However, the CFA held that the IRD can raise additional assessments for the years of assessment 1993/94 to 1995/96 on a different basis. Up to the date of such report, the IRD had not yet issued any new additional assessments for the years of assessment 1993/94 to 1995/96. As at 30 September 2009, the Group has made a provision of approximately HK\$8.9 million (included in taxation payable in the condensed consolidated statement of financial position). The Group has purchased tax reserve certificates of approximately HK\$9 million (included in taxation recoverable in the condensed consolidated statement of financial position) that may be used to settle the liability should it arise. Prior to the new additional assessments being raised by the IRD for the years of assessment 1993/94 to 1995/96, the Directors believe that a reliable estimate of the amount of new additional assessments could not be made by that time and hence it is not possible to determine the amount of the provision recognised as at 30 September 2009 of approximately HK\$8.9 million that should be reversed or the amount of additional provision that may be required. Furthermore, due to the uncertainty as to the quantum of any possible new additional assessments, the possibility and amount of co-related penalties cannot be reliably estimated, accordingly no provision for penalties has been made in the condensed consolidated financial statements.

LETTER FROM VEDA CAPITAL

For the years of assessment of 1996/97 to 2004/05, the IRD had also issued notices of assessment to the Group regarding the taxability of profits of certain subsidiaries. The Group had already lodged objections against these assessments (the “**Objections**”). The Group had purchased tax reserve certificates of approximately HK\$39 million (included in the taxation recoverable in the condensed consolidated statement of financial position) and made provision of approximately HK\$68 million (included in the taxation payable in the condensed consolidated statement of financial position) in respect of the potential tax liabilities in accordance with the IRD’s assessments. Given the aforesaid CFA judgment and the uncertainty of the effect of the same on the Objections, in the opinion of the Directors, it is a careful and conservative decision to stay with the provision of HK\$68 million in the circumstances.

As set out in IR 2009, the auditors of the Company also draw attention to the fact that the comparative condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months ended 30 September 2008 together with its explanatory notes have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

(iv) Prospects

Since the second half of 2008 when the global financial crisis started to spread across economies, enterprises all over the world have had to face severe challenges. The economies of the United States of America, Europe and Japan were sent into recession. Financial concerns have caused many corporations to cut operation costs, and postpone fee settlement to their trade creditors. Also, banks have tightened their banking facility policy to corporations during the financial tsunami. We noted from AR 2009, for the year ended 31 March 2009, approximately 55.24% of the Group’s total turnover (comprising turnover generated from continuing operations and discontinued operation of approximately HK\$1,538.27 million and approximately HK\$312.81 million respectively) were generated from the sales from the United States of America. We also noted from IR 2009 that owing to the global economic downturn as triggered by the financial crisis in the United States of America in 2008, the financial position of the Group has significantly deteriorated since then and the Group has encountered unprecedented challenges and difficulties during the financial period. Also stated in IR 2009 that the Group faced serious financial problems mainly arising from the liquidity issue and as most of the bank borrowings could not be repaid when fell due and under the terms of relevant bank facilities, the remaining portions of the outstanding borrowings became due immediately. The net current liabilities and net liabilities of the Group were approximately HK\$522.0 million and approximately HK\$36.91 million respectively as at 30 September 2009. Also mentioned above, the Company has recorded a gross loss for the year ended 30 March 2009.

On 24 February 2009, the Board announced a restructuring proposal in relation to the financial restructuring of the Group which involves, among other things, capital reorganisation, group reorganisation, a scheme of arrangement (the “**Scheme**”) and the Subscription. As set out in the Circular and advised by the Company, the restructuring proposal will enable the Group

LETTER FROM VEDA CAPITAL

to deal with its indebtedness in a formal and orderly manner so that, so far as the Company is concerned, the debt, liability or obligation of the Company as at the effective date of the Scheme, being 11 January 2010, will be released and discharged (the “**Discharge of Claims**”). In addition, as advised by the Company, upon Completion, there would be an inflow of proceeds of approximately HK\$83.5 million to the Company, of which, HK\$70 million shall be made available for distribution to the Scheme creditors pursuant to the terms of the Scheme, HK\$3.50 million shall be used by the Company to settle part of the costs, charges, expenses and disbursements incurred in connection with the negotiation, preparation and implementation of the Scheme, and the remaining balance of HK\$10.00 million shall be retained by the Company, which the Directors intend to use for the general working capital of the Company. As advised by the Company, the restructuring (including the Subscription) was completed on 11 January 2010.

With the view of the liquidity issues of the Group (i) with bank balances and cash of approximately HK\$17.42 million and bank and other borrowings due within one year of approximately HK\$508.51 million as at 30 September 2009; (ii) the deterioration of the financial results; and (iii) the uncertain tax liabilities as set out in the IR Uncertain Opinions, we consider the Group’s prospect remain challenging.

Nonetheless, the global economy has shown a recovery sign from the trough in the past several months which may improve the business environment and hence the sales of the Group. In addition, upon completion of the restructuring, with the Discharge of Claims and the inflow of proceeds of approximately HK\$83.5 million from the Subscription (of which, HK\$70 million shall be made available for distribution to the Scheme creditors pursuant to the terms of the Scheme), the financial position of the Group have been improved accordingly to cope with the challenges ahead.

The Offer

Somerley is making, on behalf of the Offeror, the Offer on the following basis:

For each Offer Share HK\$0.012 in cash

The Offer Price of HK\$0.012 per Offer Share is not less than the equivalent price per Subscription Share under the Subscription Agreement and represents:

- (i) a discount of approximately 82.6% to the closing price of HK\$0.069 per Share as quoted on the Stock Exchange on 19 December 2008, being the last trading day prior to the suspension of trading in the Shares on 22 December 2008 pending for the release of the initial announcement in relation to the Subscription (the “**Initial Announcement**”);
- (ii) a discount of approximately 90.6% to the closing price of HK\$0.127 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 87.0% to the average closing price of approximately HK\$0.092 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

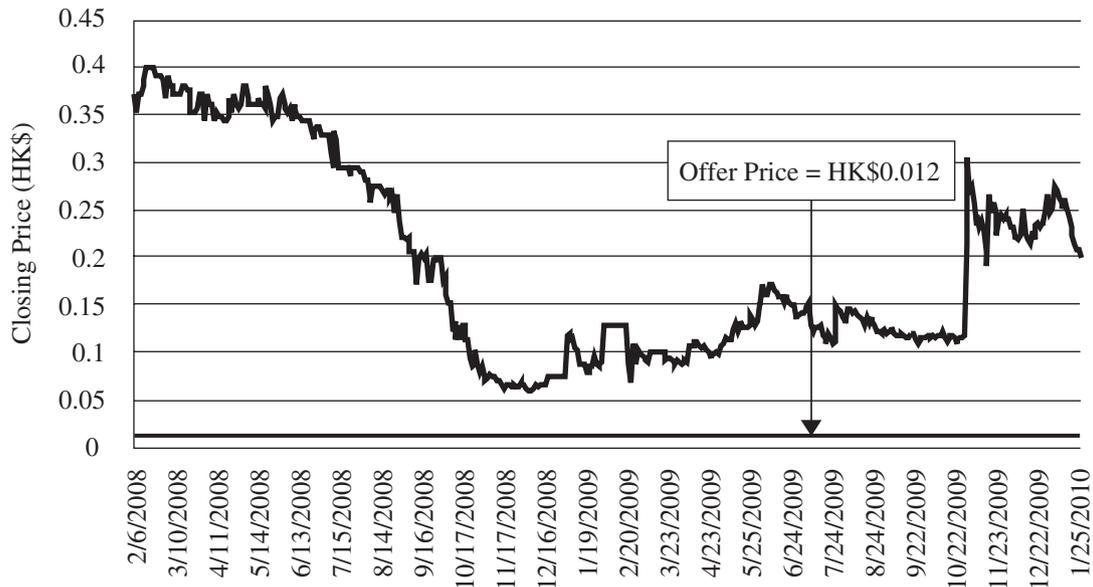
LETTER FROM VEDA CAPITAL

- (iv) a discount of approximately 86.0% to the average closing price of approximately HK\$0.086 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;
- (v) a discount of approximately 89.4% to the closing price of approximately HK\$0.113 per Share as quoted on the Stock Exchange on 3 November 2009, being the last business day immediately preceding the date of the joint announcement issued by the Offeror and Company dated 4 November 2009 in relation to the Offer (the “**Offer Announcement**”); and
- (vi) a discount of approximately 94.0% to the closing price of HK\$0.200 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Further terms and conditions of the Offer, including the procedures for acceptance, are set out in the “Letter from Somerley” and Appendix I to the Offer Document.

Historical Share Price Performance

We have reviewed the movements in the trading price of the Shares during the period from 6 February 2008 (being the 12 calendar months period prior to the Last Trading Day) to the Latest Practicable Date (the “**Review Period**”). The closing prices of the Shares during the Review Period are set out below:



Source: Bloomberg

Note: Trading of the Shares was suspended from 7 July 2008 to 8 July 2008, from 22 December 2008 to 6 January 2009, from 9 February 2009 to 24 February 2009 and from 2:37 p.m., 12 March 2009 to 23 March 2009 during the Review Period.

LETTER FROM VEDA CAPITAL

During the Review Period, the Shares recorded lowest closing price of HK\$0.053 per Share (recorded on 9 December 2008) and highest closing price of HK\$0.41 (recorded from 18 February 2008 to 22 February 2008). As can be seen from the graph above, the closing prices of the Shares have illustrated a decreasing trend from the beginning of the Review Period to the end of the year 2008. On 7 January 2009, being the first trading day immediately upon publication of the Initial Announcement, the closing price of the Shares raised to HK\$0.115 from the previous closing price of HK\$0.069, representing an increase of approximately 66.67%. After that, the closing prices of the Shares further raised to HK\$0.127 on 6 February 2009. As set out in the Company's announcement dated 6 February 2009, save for the announcement of the Company dated 5 February 2009 with regards to the discussion with a potential investor on possible injection of new capital, which might or might not result in a change of control of the Company, there were no negotiations or agreements relating to intended acquisitions or realisations which were discloseable under Rule 13.23 of the Listing Rules, neither was the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which was or might be of a price-sensitive nature. Then, the trading of Shares has been suspended from 9 February 2009 to 24 February 2009 for the release of the announcement dated 24 February 2009 jointly issued by the Company and the Offeror in respect of, among others, the Capital Reorganisation and the Subscription (the "**Joint Announcement**"). On 5 November 2009, being the first trading day immediately upon publication of the Offer Announcement, the closing price of the Shares surged up to HK\$0.217 from the previous closing price of Shares of HK\$0.114 on 4 November 2009 and has further surged up to HK\$0.31 on 6 November 2009. Since then and up to the Latest Practicable Date, the closing price of the Shares fluctuated within the range from HK\$0.192 to HK\$0.28.

The Offer Price is below the lowest closing price of the Shares throughout the Review Period and represents discount of approximately 94.0% to both of the overall average closing price of the Shares during the Review Period of approximately HK\$0.20 (the "**Average Closing Price**") and the closing price of the Shares of HK\$0.20 on the Latest Practicable Date. Having mentioned the above, we would like to remind the Independent Shareholders that there is no guarantee whether the trading price of the Shares will sustain at a level or be higher than the Offer Price during and after the offer period. **The Independent Shareholders, in particular those who may wish to realize their investments in the Shares, are thus reminded to closely monitor the market price and the liquidity of the Shares during the offer period.**

LETTER FROM VEDA CAPITAL

Historical Trading Liquidity

We have reviewed the historical trading volume of the Shares during the Review Period. The average daily trading volume of the Shares, the percentages of daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the Independent Shareholders during the Review Period are shown in table below.

Month/Period	Average daily trading volume (Number of Shares)	Average daily trading volume to the total number of issued Shares (%) <i>(Note 1)</i>	Average daily trading volume to the total number of Shares held by the Independent Shareholders (%) <i>(Note 2)</i>
<i>2008</i>			
Commencing from 6 February	199,684	0.003	0.025
March	162,421	0.002	0.020
April	224,190	0.003	0.028
May	285,500	0.004	0.036
June	416,900	0.005	0.053
July	221,000	0.003	0.028
August	134,526	0.002	0.017
September	236,571	0.003	0.030
October	563,619	0.007	0.071
November	1,309,100	0.017	0.165
December	3,609,781	0.046	0.455
<i>2009</i>			
January	8,453,067	0.107	1.066
February	63,770,452	0.804	8.042
March	24,552,667	0.310	3.096
April	10,417,100	0.131	1.314
May	11,099,263	0.140	1.400
June	8,273,409	0.104	1.043
July	8,127,273	0.102	1.025
August	6,342,571	0.080	0.800
September	4,093,455	0.052	0.516
October	3,732,500	0.047	0.471
November	73,682,000	0.929	9.291
December	6,793,545	0.086	0.857
<i>2010</i>			
January (up to and including the Latest Practicable Date)	15,104,600	0.190	1.905

Source: Bloomberg

LETTER FROM VEDA CAPITAL

Notes:

1. Calculated based on 7,930,166,684 Shares in issue as at the Latest Practicable Date.
2. Calculated based on 793,016,684 Shares held by the Independent Shareholders as at the Latest Practicable Date.
3. Trading of the Shares was suspended from 7 July 2008 to 8 July 2008, from 22 December 2008 to 6 January 2009, from 9 February 2009 to 24 February 2009 and from 2:37 p.m., 12 March 2009 to 23 March 2009 during the Review Period.

As illustrated in the above table, during the Review Period and before publication of the Initial Announcement, the monthly average daily trading volume of the Shares was in the range of approximately 0.002% to approximately 0.046% of the total number of issued Shares as at the Latest Practicable Date and approximately 0.017% to approximately 0.455% of the total number of the Shares held by the Independent Shareholders as at the Latest Practicable Date. Upon publication of the Initial Announcement, the monthly average daily trading volume of the Shares was in the range of approximately 0.047% to approximately 0.929% of the total number of issued Shares as at the Latest Practicable Date and approximately 0.471% to approximately 9.291% of the total number of the Shares held by the Independent Shareholders as at the Latest Practicable Date.

As can be seen from the table, the trading liquidity of the Shares was generally low in the year of 2008 during the Review Period and has apparently increased since January 2009 upon publication of the Initial Announcement. In particular, the trading liquidity of Shares has substantially increased in the months of February 2009 and November 2009, during which the Joint Announcement and the Offer Announcement were published respectively.

We are aware of the generally low trading liquidity of the Shares before publication of the Initial Announcement during the Review Period, however, having considered that the Offer Price (i) represents a significant discount of approximately 94.0% to the closing price of the Shares as at the Latest Practicable Date and hence Independent Shareholders are likely to have a higher return on their investment by selling their Shares in the open market rather than accepting the Offer if they intend to realize their investment in the Shares; and (ii) the Offer Price is below the lowest closing price of the Shares during the Review Period and represents a discount of approximately 94.0% to the Average Closing Price, we are of the view that the Offer Price is not fair and reasonable to the Independent Shareholders.

Comparable Analysis

We have considered adopting the price-to-earnings approach, net assets approach and dividends approach in evaluation of the Company. However, given the Company (i) has recorded net liabilities as at 30 September 2009; (ii) was loss-making for the year ended 31 March 2009; and (iii) no dividend was distributed for the year ended 31 March 2009, we consider comparable analysis with price-to-earnings approach, net assets approach and dividends approach are not applicable.

LETTER FROM VEDA CAPITAL

Background of the Offeror and its intention regarding the future of the Group

(a) Information on the Offeror

As set in the “Letter from Somerley” in the Offer Document, Success Pioneer is a company incorporated in the British Virgin Islands on 2 January 2009 with limited liability whose principal business is investment holding. The Offeror is wholly-owned by Rainbow Step Limited (“**Rainbow Step**”). The board of directors of each of the Offeror and Rainbow Step comprises Mr. Yeung, Mr. Lau and Mr. Tam. Save for the entering into of the Subscription Agreement, the Offeror has not conducted any business activities and has no other assets since its incorporation.

As disclosed in the Circular, the shareholding structure of Rainbow Step has been changed subsequent to the date of the Joint Announcement, details of which are set out below:

- (1) 10% interest in Rainbow Step held by Allskill Limited as at the date of the Joint Announcement was transferred to Best Kingdom Limited on 25 September 2009; and
- (2) 5% out of the 20% interest in Rainbow Step held by McCallum Venture Capital Limited as at the date of the Joint Announcement was transferred to Corporate Smart Limited on 25 September 2009.

Accordingly and as at 15 January 2010, being the latest practicable date to the Offer Document (the “**Offer Document LPD**”), Rainbow Step is owned as to 45% by Corporate Smart Limited, as to 30% by Big Trophy Limited, as to 15% by McCallum Venture Capital Limited and as to 10% by Best Kingdom Limited. Detail descriptions of the shareholders of Rainbow Step (including brief biographical details of their respective ultimate beneficial owners) have been set out under the section headed “Information on the Offeror” in the “Letter from Somerley” in the Offer Document.

(b) Intention of the Offeror

As set out in the “Letter from Somerley” in the Offer Document, the Group is principally engaged in design and sale of electronic products. It is the intention of the Offeror that following Completion, the Group will continue with its existing principal activities except its manufacturing activities which will be carried out under manufacturing contract processing arrangements. The Offeror will conduct a detailed review of the business and operations of the Group in order to formulate long term strategy for the Group and explore other business or investment opportunities in enhancing its future business development and strengthening its revenue bases. As at the Offer Document LPD, the Offeror does not have any concrete plan to inject any assets or businesses into the Group or to procure the Company to acquire or dispose of any assets or to redeploy the fixed assets of the Group other than in the ordinary course of business. Any acquisition or disposal of assets or business of the Group in the future, if any, will be in compliance with the Listing Rules and the Takeovers Code (if applicable). The Group will continue to seek new business opportunities to improve its profitability and prospects, and may diversify into other business should suitable opportunities arise.

LETTER FROM VEDA CAPITAL

The Offeror has no intention to privatise the Company and intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. The new Directors appointed to the Board will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

As set out in the “Letter from the Board” in the Offeree Board Circular, in order to ensure that immediately upon the close of the Offer, the Shares held “in public hands” (as such term is understood in accordance with Rule 8.24 of the Listing Rules) will not be less than 25% of the Company’s entire issued ordinary share capital, the Offeror will, subject to and as allowed under the Takeovers Code, arrange for placement of such amount of Shares to other investors who are independent and not connected with the directors, the chief executives and the substantial shareholders of the Offeror and the Company and their respective subsidiaries and associates (as defined in the Listing Rules), to be effective immediately upon the close of the Offer to ensure that 25% of the Company’s issued share capital will be held by the public immediately upon the close of the Offer.

(c) Directors and the management

As set out in the “Letter from Somerley” in the Offer Document, the Offeror has no intention to make major changes to the employees of the Group save for changes in the composition of the Board and key management positions of the Company. Immediately before 19 January 2010, being the day immediately after the posting of the Offer Document, the Board was made up of eight Directors, comprising five executive Directors being Dr. Lam Man Chan, Ms. Ting Lai Ling, Ms. Ting Lai Wah, Mr. Yeung Cheuk Kwong and Mr. Lam Shing Ngai; and three independent non-executive Directors being Mr. Ng Chi Yeung, Simon, Mr. Tam Yuk Sang, Sammy and Mr. Ho Lok Cheong. On the date of Completion, all of such eight Directors have tendered their resignations as Director, with effect from the earliest date permitted under the Takeovers Code. Also, on the date of Completion, the Board has approved the appointments of Mr. Yeung and Mr. Lau as executive Directors, Mr. Tam as non-executive Directors, and Dr. Leung Hoi Ming, Mr. Wong Chi Keung and Mr. Tom Xie as independent non-executive Directors with effect from 19 January 2010, being the day immediately after the posting of the Offer Document.

Further details in respect of the changes to the Board have been set out in the “Letter from Somerley” in the Offer Document and the announcement dated 18 January 2010 jointly issued by the Company and the Offeror. The brief biographies of Mr. Yeung, Mr. Lau and Mr. Tam have been set out in the section headed “Information on the Offeror” in the “Letter from Somerley” in the Offer Document and the brief biographies of the new independent non-executive Directors have been set out in the section headed “Proposed Changes to Board Composition and Key Management Positions of the Company” in the “Letter from Somerley” in the Offer Document.

We noted that although only Mr. Tam, the new non-executive Director, has direct experience in the business engaged in electronic products, Mr. Yeung and Mr. Lau, the two new executive Directors, have sophisticated experience in trading business and management of retailing business which may benefit to the management level and sales of the Group.

LETTER FROM VEDA CAPITAL

RECOMMENDATION

Having considered the above-mentioned principal factors and reasons, in particular:

- (i) the Offer Price represents a significant discount to the closing price of the Shares as at the Latest Practicable Date and hence Independent Shareholders are likely to have a higher return on their investment by selling their Shares in the open market rather than accepting the Offer if they intend to realize their investment in the Shares;
- (ii) the Offer Price is below the lowest closing price of the Shares during the Review Period and represents a discount of approximately 94.0% to the Average Closing Price;
- (iii) upon completion of the restructuring, with the Discharge of Claims and the inflow of proceeds of approximately HK\$83.5 million from the Subscription (of which, HK\$70 million shall be made available for distribution to the Scheme creditors pursuant to the terms of the Scheme), the financial position of the Group have been improved accordingly to cope with the challenges ahead;
- (iv) the global economy has shown a recovery sign from the trough in the past several months which may improved the business environment and hence the sales of the Group; and
- (v) the listing status of the Shares remain unchanged upon close of the Offer and although only Mr. Tam, the new non-executive Directors, has direct experience in the business engaged in electronic products, Mr. Yeung and Mr. Lau, the two new executive Directors, have sophisticated experience in trading business and management of retailing business which may benefit to the management level and sales of the Group,

we are of the opinion that the Offer, including the Offer Price, is not fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Board Committee to advise the Independent Shareholders not to accept the Offer.

Independent Shareholders are reminded to note the recent fluctuation in the Share price, and that there is no guarantee that the current market price will or will not sustain; or will or will not be higher than the Offer Price during and after the offer period. The Independent Shareholders, especially those who intend to realize their investments in the Company, are also reminded to closely monitor the market price and the liquidity of the Shares during the offer period.

The Independent Shareholders should read carefully the procedures for accepting the Offer detailed in Appendix I to the Offer Document.

Yours faithfully,
For and on behalf of
Veda Capital Limited

Hans Wong
Managing Director

Julisa Fong
Executive Director

1. ACCOUNTANTS' REPORT ON THE FINANCIAL INFORMATION OF THE FORMER GROUP

The accountants report (the "Accountants' Report") on the financial information of the Former Group for each of the three financial years ended 31 March 2009 contained in the Circular is reproduced below. The Accountants' Report did not contain any qualifications or disclaimers and there were no exceptional items or extraordinary items recognised in the consolidated income statement of the Former Group in respect of each of the three financial years ended 31 March 2009. Capitalised terms used in this section shall have the same meanings as those defined in the Circular.

Deloitte.
德勤

The Directors
Ngai Lik Industrial Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Ngai Lik Industrial Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the three years ended 31 March 2007, 2008 and 2009 (the "Relevant Periods") for inclusion in the circular dated 30 September 2009 issued by the Company in connection with the proposed restructuring involving capital reorganisation, group reorganisation and debt restructuring involving creditors' scheme of arrangement, subscription for new shares and whitewash waiver (the "Circular").

The Company was incorporated in Bermuda with limited liability. The Company is an investment holding company.

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Notes	Place of incorporation/ registration	Place of operation	Date of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of nominal value of issued share capital/registered capital held by the Company			At report date	Principal activities
						2007	2008	2009		
Aistar Electronics Limited	12	Hong Kong	Hong Kong	3 September 1991	HK\$100,000	100*	100*	100*	100*	Holding of trademarks
Callington Industries Limited	12	British Virgin Islands	British Virgin Islands	28 February 2000	US\$1	100*	100*	100*	100*	Investment holding

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

Name of subsidiary	Notes	Place of incorporation/ registration	Place of operation	Date of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of nominal value of issued share capital/registered capital held by the Company			At report date	Principal activities
						2007	2008	2009		
Denca Industrial Limited	4, 5, 6	Hong Kong	Hong Kong	7 June 2000	HK\$2	100*	100*	100*	100*	Inactive
Din Wai Audio Visual Limited	7	Samoa	People's Republic of China ("PRC")	28 February 2007	US\$100	-	100*	100*	100*	Inactive
Din Wai Digital Limited		Samoa	PRC	28 March 2008	US\$100	-	-	100*	100*	Inactive
Din Wai Electronics Limited	12	British Virgin Islands	PRC	2 August 1991	US\$2	100*	100*	100*	100*	Manufacturing of electronic products
Din Wai Services (MCO) Limited		Macau	Macau	19 April 2002	MOP1,000,000	100*	100*	100*	100*	Inactive
Dongguan Fenggang Ngai Lik Electronics Company Limited # 東莞鳳崗毅力電子有限公司	1, 8	PRC	PRC	15 August 1991	HK\$24,500,000	87*	87*	100*	100*	Manufacturing of electronic products
Dongguan Jin Tang Industrial Investments Limited# 東莞駿騰實業投資有限公司		PRC	PRC	16 December 2008	HK\$10,000,000	-	-	100*	100*	Inactive
Ecotec Electronics Company Limited	12	Hong Kong	Hong Kong	20 June 2008	HK\$10,000	-	-	100*	100*	Trading and manufacturing electronic products
Elite Services Limited	7	Macau	Macau	15 September 2004	MOP26,000	100*	100*	100*	100*	Inactive
Enpress Corporation Limited	4, 5, 6	Hong Kong	Hong Kong	23 February 2000	HK\$2	100*	100*	100*	100*	Inactive

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

Name of subsidiary	Notes	Place of incorporation/ registration	Place of operation	Date of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of nominal value of issued share capital/registered capital held by the Company			At report date	Principal activities
						2007	2008	2009		
Eurobest Limited	7	Samoa	Hong Kong	28 March 2008	US\$100	-	-	100*	100*	Trading of electronic products
Faithful Lion Enterprises Limited	12	Hong Kong	Hong Kong	19 September 2008	HK\$10,000	-	-	100*	100*	Investment holding
Flourishing China Limited	12	British Virgin Islands	PRC	8 August 2008	US\$100	-	-	100*	100*	Property investment
Full Purse Investments Limited	12	Hong Kong	Hong Kong	29 September 1992	HK\$2	100*	100*	100*	100*	Inactive
Fullwealth Holdings Limited	7	Samoa	Samoa	8 January 2008	US\$100	-	100*	100*	100*	Investment holding
Grand More Enterprises Limited	4, 5, 6	Samoa	Hong Kong	25 May 2006	US\$100	100*	100*	100*	100*	Trading of electronics products
Greatmerry Limited	12	British Virgin Islands	PRC	8 August 2008	US\$100	-	-	100*	100*	Property holding
Ideal Profits Investments Limited	7	British Virgin Islands	British Virgin Islands	5 May 2000	US\$1	100*	100*	100*	100*	Investment holding
Junestar Pacific Limited	12	Hong Kong	Hong Kong	20 December 2000	HK\$10,000	100*	100*	100*	100*	Investment holding
Kenwin Home Appliances Limited	4, 5, 6	Hong Kong	Hong Kong	25 March 2003	HK\$10,000	100*	100*	100*	100*	Inactive
Kin Ngai Industrial Limited	7	Samoa	PRC	28 March 2003	US\$10	100*	100*	100*	100*	Leasing of plant and machineries

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

Name of subsidiary	Notes	Place of incorporation/ registration	Place of operation	Date of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of nominal value of issued share capital/registered capital held by the Company			At report date	Principal activities
						2007	2008	2009		
Legend Capital Profits Limited	7	British Virgin Islands	British Virgin Islands	18 December 2000	US\$10	100*	100*	100*	100*	Investment holding
Lik Way (Qingyuan) Plastic Metal Circuit Board Electroplating Ltd. [#] 力威(清遠)塑膠五金線路板電鍍有限公司	9, 10	PRC	PRC	25 June 2002	HK\$5,000,000	100*	100*	100*	100*	Electroplating business
Lik Way Chemical Limited	4, 5, 12	Samoa	PRC	18 January 2002	US\$10	100*	100*	100*	100*	Electroplating business
Marvel Sports Limited	12	British Virgin Islands	PRC	8 August 2008	US\$100	-	-	100*	100*	Property holding
N L Services Limited	7	British Virgin Islands	PRC	2 May 2000	US\$1	100*	100*	100*	100*	Provision of nominees services
Ngai Lik (BVI) Limited	7	British Virgin Islands	British Virgin Islands	25 May 1992	US\$10,000	100	100	100	100	Investment holding
Ngai Lik Automotive Infotainment Limited	7	Samoa	Samoa	5 June 2006	US\$100	100*	100*	100*	100*	Inactive
Ngai Lik Capital Limited	12	Hong Kong	Hong Kong	2 April 1996	HK\$10,000	100*	100*	100*	100*	Provision of financial services
Ngai Lik Digital Technology Limited	12	Hong Kong	Hong Kong	31 August 2001	HK\$10,000	100*	100*	100*	100*	Trading of electronics products
Ngai Lik Electronics Company Limited	12	Hong Kong	Hong Kong	10 April 1981	HK\$2,001,000	100*	100*	100*	100*	Investment holding

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

Name of subsidiary	Notes	Place of incorporation/ registration	Place of operation	Date of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of nominal value of issued share capital/registered capital held by the Company			At report date	Principal activities
						2007	2008	2009		
Ngai Lik Electronics International Limited	12	Hong Kong	Hong Kong	13 July 1990	HK\$1,001,000	100*	100*	100*	100*	Investment holding
Ngai Lik Electronics Trading Limited	12	Hong Kong	Hong Kong	16 March 2001	HK\$10,000	100*	100*	100*	100*	Trading of electronics products
Ngai Lik Enterprises Limited		Hong Kong	Hong Kong	26 September 1995	HK\$3,000,000	100*	100*	100*	100*	Provision of management and logistics services and trading and manufacturing of electronics products
Ngai Lik Finance Company Limited	12	Hong Kong	Hong Kong	18 April 1991	HK\$2	100*	100*	100*	100*	Provision of financial services
Ngai Lik Industrial Limited		Hong Kong	Hong Kong	28 July 1992	HK\$10,000	100*	100*	100*	100*	Inactive
Ngai Lik Logistic Company Limited	12	Hong Kong	Hong Kong	29 August 2001	HK\$10,000	100*	100*	100*	100*	Inactive
Ngai Lik Management Services Limited	12	Hong Kong	Hong Kong	10 March 1994	HK\$100,000	100*	100*	100*	100*	Inactive
Ngai Lik Properties Limited	12	Hong Kong	Hong Kong	12 October 1990	HK\$2	100*	100*	100*	100*	Property holding
Ngai Lik Technology Limited	12	Hong Kong	Hong Kong	20 January 1993	HK\$2	100*	100*	100*	100*	Inactive
Ngai Lik Trading (MCO) Limited		Macau	Macau	19 April 2002	MOP1,000,000	100*	100*	100*	100*	Inactive
Ngai Sing Electronics Limited	7	Samoa	Samoa	30 June 2008	US\$100	-	-	100*	100*	Inactive

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FINANCIAL INFORMATION OF THE GROUP

Name of subsidiary	Notes	Place of incorporation/ registration	Place of operation	Date of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of nominal value of issued share capital/registered capital held by the Company			At report date	Principal activities
						2007	2008	2009		
Ngai Wai Plastic Manufacturing Limited	5, 12	British Virgin Islands	PRC	12 August 1991	US\$1	100*	100*	100*	100*	Manufacturing of plastic components
Panasia Limited	7	Samoa	Samoa	30 June 2008	US\$100	-	-	100*	100*	Inactive
Panda Wave Limited	12	British Virgin Islands	PRC	8 August 2008	US\$100	-	-	100*	100*	Property investment
Pascal Investment Limited	12	Hong Kong	Hong Kong	23 May 1995	HK\$2	100*	100*	100*	100*	Investment holding
Qingyuan Qingxin Ngai Lik Electronics Co., Ltd. [#] 清遠清新毅力電子有限公司	11	PRC	PRC	4 December 1995	HK\$5,100,000	80*	80*	80*	80*	Inactive
Quest Assets Limited	7	British Virgin Islands	British Virgin Islands	12 June 1992	US\$1	100*	100*	100*	100*	Investment holding
Shing Wai Company Limited	5, 12	Hong Kong	Hong Kong	19 March 1991	HK\$1,001,000	100*	100*	100*	100*	Inactive
Shing Wai Limited	5, 12	British Virgin Islands	PRC	12 March 1992	US\$1	100*	100*	100*	100*	Manufacturing of electrical and mechanical components
Stand United Limited	12	British Virgin Islands	PRC	8 August 2008	US\$100	-	-	100*	100*	Property holding
Standfirm Limited	12	British Virgin Islands	PRC	11 July 2008	US\$100	-	-	100*	100*	Property holding
Sportwide Limited	12	British Virgin Islands	PRC	8 August 2008	US\$100	-	-	100*	100*	Property investment

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

Name of subsidiary	Notes	Place of incorporation/ registration	Place of operation	Date of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of nominal value of issued share capital/registered capital held by the Company			At report date	Principal activities
						2007	2008	2009		
Tenger International Limited	7	British Virgin Islands	British Virgin Islands	29 August 2007	US\$100	-	100*	100*	100*	Inactive
Trade Seasons Investments Limited	12	Hong Kong	Hong Kong	1 October 1992	HK\$2	100*	100*	100*	100*	Inactive
Zhong Yi (Lianzhou) Electronics Plastic Metal Co Ltd [#] 忠毅(連州)電子塑膠五金有限公司	9, 11	PRC	PRC	25 March 2007	HK\$7,000,000	-	100*	100*	100*	Manufacturing of electronic products
Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited [#] 忠毅(清遠)電子塑膠五金有限公司	2, 9, 11	PRC	PRC	21 June 2002	HK\$136,000,000	100*	100*	100*	100*	Manufacturing of electronic products

* Interest held by the Company through subsidiaries.

For identification purpose only.

Notes:

1. Dongguan Fenggang Ngai Lik Electronics Company Limited (“DFNL”), a sino-foreign joint venture in the PRC, was established by the Group with an independent third party. Since the signing of an agreement in the prior years, the Group is entitled to all the net profits arising from the operation of DFNL after the payment of certain fixed amounts to the independent third party. The Group is also entitled to all the assets and responsible for all the liabilities of DFNL.

During the year ended 31 March 2009, the Group acquired additional interest of DFNL from the independent third party. Since then, DFNL is registered as wholly foreign owned enterprise in the PRC.

2. The subsidiary is set up as wholly foreign owned enterprise registered in the PRC.
3. None of the subsidiaries had any debt securities subsisting at 31 March 2009 or at any time during the year.
4. The statutory audited financial statements of these companies for the year ended 31 March 2007 were audited by Graham H.Y. Chan & Co. Certified Public Accountants and the audited financial statements were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

5. The statutory audited financial statements of these companies for the year ended 31 March 2008 were audited by Graham H.Y. Chan & Co. Certified Public Accountants and the audited financial statements were prepared in accordance with HKFRS issued by the HKICPA.
6. The statutory audited financial statements of these companies for the year ended 31 March 2009 were audited by Graham H.Y. Chan & Co. Certified Public Accountants and the audited financial statements were prepared in accordance with HKFRS issued by the HKICPA.
7. No audited financial statements have been prepared for these companies, which are incorporated in places where there were no statutory audit requirements.
8. The statutory audited financial statements of these companies for the three years ended 31 December 2006, 2007 and 2008 were audited by 東莞市德正會計師事務所 and the audited financial statements were prepared in accordance with generally accepted accounting principles in the Mainland China (“PRC GAAP”).
9. The statutory audited financial statements of these companies for the year ended 31 December 2008 were audited by 清遠市建信聯合會計師事務所 and the audited financial statements were prepared in accordance with PRC GAAP.
10. The statutory audited financial statements of these companies for the two years ended 31 December 2006 and 2007 were audited by 德信會計師事務所 and the audited financial statements were prepared in accordance with PRC GAAP.
11. The statutory audited financial statements of these companies for the two years ended 31 December 2006 and 2007 were audited by 清遠市精誠會計師事務所有限公司 and the audited financial statements were prepared in accordance with PRC GAAP.
12. The audited financial statements of these companies for the year ended 31 March 2009 have not yet been issued.

We have acted as auditors of the companies comprising the Group for each of the Relevant Periods other than the companies mentioned in notes 4 to 12 above for the Relevant Periods.

We and Graham H. Y. Chan & Co. Certified Public Accountants have performed an independent audit on the consolidated financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”), which were prepared in accordance with HKFRS issued by the HKICPA and in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

The Financial Information has been prepared in accordance with the accounting policies as set out in note 3 of Section A of the Financial Information which conforms with HKFRSs issued by the HKICPA of the Group for the Relevant Periods and based on the Underlying Financial Statements of the Group for the Relevant Periods, after making adjustments as are appropriate.

The Underlying Financial Statements are the responsibility of the directors of the Company. The directors of the Company are also responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon, for the purpose of this report, gives a true and fair view of the state of affairs of the Group as at 31 March 2007, 31 March 2008 and 31 March 2009 and of its consolidated results and cash flows for the Relevant Periods.

Without qualifying our opinion, we draw attention to the following material uncertainties:

Going concern

As stated in note 2 of Section A of the Financial Information, the Group reported a consolidated loss attributable to equity holders of the Company of approximately HK\$916 million during the year ended 31 March 2009 and as at that date, its current liabilities exceeded its current assets by approximately HK\$512 million. Furthermore, during the year ended 31 March 2009 and as at that date, the Group has breached certain terms and defaulted on the repayment of certain banking facilities. As at 31 March 2009, loan repayments in the aggregate sum of approximately HK\$192 million were overdue and HK\$156 million of bank borrowings became repayable on demand as a result of the breach. To address these issues, the Group is currently in the process of exploring the possibility of implementing a restructuring proposal, details of which are more fully set out in note 2 of Section A of the Financial Information. However, the success of the restructuring proposal cannot presently be determined and accordingly, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Tax appeal

As explained in notes 9(c), (e), (g) and (h) of Section A of the Financial Information, the hearing of the appeal in respect of the taxability of profits of certain subsidiaries for the years of assessment 1991/92 to 1995/96 was held on 8 July 2009. As at 31 March 2009, the Group has made a provision of approximately HK\$12.8 million (included in taxation payable in the consolidated balance sheet). The Group has purchased tax reserve certificates of approximately HK\$9 million (included in taxation recoverable in the consolidated balance sheet as at 31 March 2009) that may be used to settle the liability should it arise. Subsequent to the date the consolidated financial statements of the Group for the year ended 31 March 2009 were authorised for issue, the Court of Final Appeal (the "CFA") concluded that the additional assessments raised by the Inland Revenue Department (the "IRD") for the years of assessment 1991/92 to 1995/96 were not validly made by the IRD. However, the CFA held that the IRD can raise additional assessments for the years of assessment 1993/94 to 1995/96 on a different basis. Up to the date of this report, the IRD had not yet issued any new additional assessments. Prior to the new additional assessments being raised by the IRD for the years of assessment 1993/94 to 1995/96, the directors of the Company believe that a reliable estimate of the amount of the new additional assessment cannot be made and hence it is not possible to determine presently the amount of the provision recognised as at 31 March 2009 of HK\$12.8 million that should be reversed or the amount of additional provision that may be required.

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

	Notes	Year ended 31 March		
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Continuing operations				
Turnover	6	3,497,033	2,508,093	1,538,272
Cost of sales and direct expenses		<u>(3,333,831)</u>	<u>(2,375,580)</u>	<u>(1,673,962)</u>
Gross profit (loss)		163,202	132,513	(135,690)
Other operating income (expenses)		4,077	(44,060)	(36,488)
Selling and distribution expenses		(35,896)	(21,820)	(32,671)
Administrative expenses		(115,827)	(96,798)	(164,603)
Other income		6,370	5,525	1,632
Impairment loss on property, plant and equipment		–	(5,245)	(405,989)
Impairment loss on intangible assets		–	–	(16,471)
Net gain (loss) on investment properties		57,519	(78,063)	(20,804)
Finance costs	7	(36,585)	(43,368)	(36,204)
Share of results of an associate		<u>574</u>	<u>–</u>	<u>–</u>
Profit (loss) before taxation	8	43,434	(151,316)	(847,288)
Taxation (charge) credit	9	<u>(22,086)</u>	<u>20,328</u>	<u>15,893</u>
Profit (loss) for the year from continuing operations		21,348	(130,988)	(831,395)
Discontinued operation				
Loss for the year from discontinued operation	12	<u>(8,266)</u>	<u>(5,563)</u>	<u>(84,933)</u>
Profit (loss) for the year		<u><u>13,082</u></u>	<u><u>(136,551)</u></u>	<u><u>(916,328)</u></u>
Attributable to:				
Equity holders of the Company		13,082	(136,551)	(916,328)
Minority interests		<u>–</u>	<u>–</u>	<u>–</u>
		<u><u>13,082</u></u>	<u><u>(136,551)</u></u>	<u><u>(916,328)</u></u>
Dividend				
– Interim, paid	13	<u><u>7,930</u></u>	<u><u>7,930</u></u>	<u><u>–</u></u>
Earnings (loss) per share				
From continuing and discontinued operations				
– basic and diluted	14	<u><u>HK\$1.6 cents</u></u>	<u><u>(HK17.2 cents)</u></u>	<u><u>(HK115.5 cents)</u></u>
From continuing operations				
– basic and diluted		<u><u>HK\$2.7 cents</u></u>	<u><u>(HK16.5 cents)</u></u>	<u><u>(HK104.8 cents)</u></u>

CONSOLIDATED BALANCE SHEETS

	Notes	As at 31 March		
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Non-current assets				
Investment properties	15	467,000	391,181	203,182
Property, plant and equipment	16	886,653	846,393	287,862
Land use rights – non-current portion	17	68,458	70,132	66,582
Interest in an associate	18	1,641	–	–
Intangible assets	19	33,742	38,089	–
Deposits for acquisition of property, plant and equipment and land use rights		14,774	13,800	766
		<u>1,472,268</u>	<u>1,359,595</u>	<u>558,392</u>
Current assets				
Land use rights – current portion	17	1,578	1,653	601
Inventories	20	442,642	453,065	130,619
Trade and other receivables and prepayments	21	198,117	198,467	70,790
Taxation recoverable		47,494	47,494	47,494
Bank balances and cash	22	166,825	159,463	33,192
		<u>856,656</u>	<u>860,142</u>	<u>282,696</u>
Assets classified as held for sale	23	–	–	230,000
		<u>856,656</u>	<u>860,142</u>	<u>512,696</u>
Current liabilities				
Trade and other payables	24	385,896	307,869	285,412
Taxation payable		75,395	76,997	84,209
Bank and other borrowings				
– due within one year	25	426,371	534,710	526,796
Obligations under finance leases				
– due within one year	26	2,583	4,083	2,835
Provision	27	–	–	15,175
Bank overdraft	22	–	–	1,844
		<u>–</u>	<u>–</u>	<u>1,844</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	<i>Notes</i>	As at 31 March		
		2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
		890,245	923,659	916,271
Liabilities associated with assets classified as held for sale	23	<u>–</u>	<u>–</u>	<u>108,454</u>
		<u>890,245</u>	<u>923,659</u>	<u>1,024,725</u>
Net current liabilities		<u>(33,589)</u>	<u>(63,517)</u>	<u>(512,029)</u>
Total assets less current liabilities		<u>1,438,679</u>	<u>1,296,078</u>	<u>46,363</u>
Non-current liabilities				
Bank and other borrowings				
– due after one year	25	281,146	304,370	–
Obligations under finance leases				
– due after one year	26	4,130	3,668	754
Deferred taxation	28	<u>72,524</u>	<u>50,059</u>	<u>26,956</u>
		<u>357,800</u>	<u>358,097</u>	<u>27,710</u>
Net assets		<u><u>1,080,879</u></u>	<u><u>937,981</u></u>	<u><u>18,653</u></u>
Capital and reserves				
Share capital	29	79,302	79,302	79,302
Reserves		<u>997,557</u>	<u>854,659</u>	<u>(61,669)</u>
Equity attributable to equity holders of the Company		1,076,859	933,961	17,633
Minority interests		<u>4,020</u>	<u>4,020</u>	<u>1,020</u>
Total equity		<u><u>1,080,879</u></u>	<u><u>937,981</u></u>	<u><u>18,653</u></u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000	Investment reserve HK\$'000	Share options reserve HK\$'000	Accumulated profits (losses) HK\$'000	Attributable to equity holders of the Company HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2006	79,302	82,844	11,927	3,770	-	892,101	1,069,944	4,020	1,073,964
Surplus arising from revaluation of properties	-	-	8,258	-	-	-	8,258	-	8,258
Deferred taxation liability arising on revaluation of properties	-	-	(2,725)	-	-	-	(2,725)	-	(2,725)
Decrease in fair value of available-for-sale financial assets	-	-	-	(90)	-	-	(90)	-	(90)
Net income (expenses) recognised directly in equity	-	-	5,533	(90)	-	-	5,443	-	5,443
Realised on disposal of available-for-sale financial assets	-	-	-	(3,680)	-	-	(3,680)	-	(3,680)
Profit for the year	-	-	-	-	-	13,082	13,082	-	13,082
Total recognised income (expenses) for the year	-	-	5,533	(3,770)	-	13,082	14,845	-	14,845
Dividend paid	-	-	-	-	-	(7,930)	(7,930)	-	(7,930)
At 31 March 2007	79,302	82,844	17,460	-	-	897,253	1,076,859	4,020	1,080,879
Loss for the year	-	-	-	-	-	(136,551)	(136,551)	-	(136,551)
Recognition of equity-settled share based payments	-	-	-	-	1,583	-	1,583	-	1,583
Dividend paid	-	-	-	-	-	(7,930)	(7,930)	-	(7,930)
At 31 March 2008	79,302	82,844	17,460	-	1,583	752,772	933,961	4,020	937,981
Loss for the year	-	-	-	-	-	(916,328)	(916,328)	-	(916,328)
Acquisition of additional interest of a subsidiary	-	-	-	-	-	-	-	(3,000)	(3,000)
At 31 March 2009	<u>79,302</u>	<u>82,844</u>	<u>17,460</u>	<u>-</u>	<u>1,583</u>	<u>(163,556)</u>	<u>17,633</u>	<u>1,020</u>	<u>18,653</u>

The property revaluation reserve represents the increase in fair value, net of related deferred taxation charges, of the properties transferred to investment properties in previous years.

CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31 March		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
OPERATING ACTIVITIES			
Profit (loss) before taxation	35,703	(157,414)	(932,221)
Adjustments for:			
Interest income	(5,071)	(4,462)	(956)
Interest expenses	37,012	45,623	37,762
Finance lease charges	178	479	607
Share of results of an associate	(574)	–	–
Impairment loss of property, plant and equipment	–	5,245	421,590
Net (gain) loss on investment properties	(57,519)	78,063	20,804
Impairment loss on intangible assets	–	–	32,884
(Gain) loss on disposal of an associate	(960)	359	–
Loss on disposal of property, plant and equipment	686	4,866	25,781
Share-based payment expense	–	1,583	–
Amortisation of land use rights	1,452	1,653	1,676
Amortisation of intangible assets	18,678	23,109	16,656
Impairment loss on inventories	–	16,000	97,369
Exchange difference	–	39,957	8,517
Gain on disposal of available-for-sale financial assets	(2,741)	(393)	–
Depreciation of property, plant and equipment	79,548	76,436	65,520
Impairment loss on trade receivables	–	255	27,859
Impairment loss on deposit for acquisition of land use rights	–	–	9,563
	<u> </u>	<u> </u>	<u> </u>
Operating cash flows before movements in working capital	106,392	131,359	(166,589)
Decrease (increase) in inventories	2,825	(26,423)	225,077
(Increase) decrease in trade and other receivables and prepayments	(31,681)	(605)	99,818
Increase (decrease) in trade and other payables	22,249	(92,554)	(22,457)
Increase in provision	–	–	15,175
	<u> </u>	<u> </u>	<u> </u>

	Year ended 31 March		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Cash generated from operations	99,785	11,777	151,024
Interest received	3,878	4,462	956
Tax paid	(1,532)	–	–
Tax refunded	1,439	–	–
NET CASH FROM OPERATING ACTIVITIES	103,570	16,239	151,980
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(86,399)	(43,358)	(22,266)
Deposits received in respect of assets classified as held for sales	–	–	63,000
Acquisition of additional interest of a subsidiary	–	–	(3,000)
Additions to investment properties	(6,677)	(862)	(2,873)
Additions to land use rights	(22,051)	(3,402)	–
Deposits paid for acquisition of property, plant and equipment and land use rights	(14,774)	(2,594)	–
Proceeds from disposal of property, plant and equipment	2,850	4,218	14,371
Additions of available-for-sale financial assets	–	(23,563)	–
Net proceeds from disposal of available-for-sale financial assets	15,893	23,956	–
Proceeds from disposal of an associate	20,000	210	–
Additions to intangible assets	(24,753)	(27,456)	(11,451)
Redemption of long-term bank deposit	23,400	–	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(92,511)	(72,851)	37,781
FINANCING ACTIVITIES			
Dividend paid	(7,930)	(7,930)	–
Repayments of bank and other borrowings	(542,514)	(406,195)	(342,028)
Repayments of obligations under finance leases	(2,290)	(3,923)	(4,162)
Interest paid	(37,961)	(45,623)	(37,762)
Finance lease charges paid	(178)	(479)	(607)
New bank and other borrowings raised	548,089	513,400	66,683

	Year ended 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<u>(42,784)</u>	<u>49,250</u>	<u>(317,876)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(31,725)	(7,362)	(128,115)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>198,550</u>	<u>166,825</u>	<u>159,463</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>166,825</u></u>	<u><u>159,463</u></u>	<u><u>31,348</u></u>
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS represented by:			
Bank balances and cash	166,825	159,463	33,192
Bank overdraft	<u>—</u>	<u>—</u>	<u>(1,844)</u>
	<u><u>166,825</u></u>	<u><u>159,463</u></u>	<u><u>31,348</u></u>

NOTES TO THE FINANCIAL INFORMATION**1. GENERAL**

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information included in the annual report.

The financial information is presented in Hong Kong dollars as the directors of the Company control and monitor the performance and financial position of the Company by using Hong Kong dollars.

The Company is an investment holding company.

2. BASIS OF PREPARATION

The Group reported a consolidated loss attributable to equity holders of the Company of approximately HK\$916,328,000 for the year ended 31 March 2009 and as at that date, the Group had net current liabilities of approximately HK\$512,029,000. During the year ended 31 March 2009 and as at that date, the Group has breached certain terms and defaulted on the repayment of certain banking facilities. As at 31 March 2009, loan repayments in the aggregate sum of approximately HK\$192 million were overdue and HK\$156 million of bank borrowings became repayable on demand as a result of the breach.

To address these issues, the Group has been in discussion and negotiation with the banks to explore the possibility of seeking a forbearance of the Group’s bank borrowings and with potential investors to explore the possibility of injecting new funds into the Group through a restructuring proposal.

The restructuring proposal is conditional upon passing of resolutions by the independent shareholders of the Company at a special general meeting to approve the proposed capital reduction and capital reorganisation (as disclosed in the joint announcement of the Company and the board of directors of Success Pioneer Limited (the “Subscriber”) dated 24 February 2009 and hereinafter referred to as the “Announcement”) and other conditions and conditions precedent more fully described under sections 1.4 and 3.6 of the Announcement. The restructuring proposal, if successfully implemented, consists of, amongst other things, the following major procedures:

- (i) a capital reduction through the cancellation of HK\$0.09 out of HK\$0.10 of the paid-up capital on each existing share of the Company;
- (ii) subscription of 7,137,150,000 new shares of the Company of par value of HK\$0.01 each at a subscription price of approximately HK\$0.012 per share by the Subscriber, resulting in cash consideration of HK\$83.5 million (as set out in the joint announcement of the Company and the Subscriber dated 28 April 2009);
- (iii) a group reorganisation and creditors’ scheme (the “Scheme”), which will split the Group into a group comprising the Company and certain subsidiaries retained under the control of the Company (“Retained Subsidiaries”) (altogether with the Company referred to as the “Retained Group”) and a group comprising the other subsidiaries to be held outside the Retained Group (“Scheme Subsidiaries”) by the administrators to be appointed under the Scheme; and
- (iv) pursuant to the proposed Scheme, upon it has become effective, all Scheme Indebtedness (as defined in the Announcement) will be released and discharged and (i) a cash payment of HK\$70.0 million (which will be funded by the Company out of the proceeds of the Subscription (as defined in the Announcement)); (ii) all assets of the Company, other than its investments in the Retained Subsidiaries and its inter-company receivables due by the Retained Subsidiaries, as at the Effective Date (as defined in the Circular); (iii)

any realisations to be made from the assets and businesses of the Scheme Subsidiaries in accordance with the terms of the Scheme; and (iv) 30% of net profit after tax (if any) generated from the Retained Subsidiaries from the Effective Date to 31 March 2013 pursuant to the Profit Sharing Arrangement (as defined in the Circular), will be made available to the administrators to be appointed under the Scheme to settle and discharge the Scheme Indebtedness and other liabilities of the Company.

On 13 July 2009, the Company received a standstill letter (the “Standstill Letter”) from the joint coordinating banks of the Group’s lending banks in Hong Kong (“HK Banks”), stating that the HK Banks agreed not to make demand or take any action to enforce the payment of monies under any of their existing banking facilities (the “Existing Facilities”) in order to facilitate the discussions of the restructuring of the Existing Facilities.

The Standstill Letter is however without prejudice to any HK Banks’ rights to withdraw at any time from discussions with the Group on any restructuring and upon such withdrawal, any HK Bank is entitled to make demand and enforce any of its rights under the Existing Facilities and any HK Bank can request the security trustee to enforce the debentures.

Subsequent to 31 March 2009, certain bank borrowings from a bank in the Mainland China became overdue. In June 2009, the Group has obtained an extension to repay the outstanding overdue loan balance from this bank of approximately HK\$45,454,000 to 3 September 2009. Subsequently, a notice of demand for repayment has been received from the bank. The Group is currently in discussion with this bank for further extension of repayment.

The financial information has been prepared on a going concern basis even though the Group is currently in the process of exploring the possibility of implementing a restructuring scheme as the directors of the Company are of the view that it is more probable than not that the major procedures of the proposed restructuring scheme as set out above will eventually be agreed upon by the Company’s creditors and the Company’s shareholders, and successfully implemented.

However, should the Group be unable to achieve a successful restructuring as mentioned above, or, alternatively under other available options of restructuring, and therefore be unable to continue in business as a going concern, adjustments might have to be made to the carrying values of the Group’s assets to state them at their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities, respectively.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted, all the new and revised standards, amendments and interpretations of HKFRS issued by the HKICPA, which are effective for the Group’s financial periods beginning on or after 1 April 2006 in the preparation of the Underlying Financial Information throughout the Relevant Periods.

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

At the date of this report, the Group has not early adopted the following new and revised standards and interpretations that have been issued but are not yet effective. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 1 (Revised)	Presentation of Financial Statements ³
HKAS 23 (Revised)	Borrowing Costs ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁴
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ³
HKAS 39 (Amendment)	Eligible Hedged Items ⁴
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁵
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ³
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ³
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁵
HKFRS 3 (Revised)	Business Combinations ⁴
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ³
HKFRS 8	Operating Segments ³
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives ⁶
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁷
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ³
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁸
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ⁴
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁹

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2009

⁴ Effective for annual periods beginning on or after 1 July 2009

⁵ Effective for annual periods beginning on or after 1 January 2010

⁶ Effective for annual periods ending on or after 30 June 2009

⁷ Effective for annual periods beginning on or after 1 July 2008

⁸ Effective for annual periods beginning on or after 1 October 2008

⁹ Effective for transfers on or after 1 July 2009

4. SIGNIFICANT ACCOUNTING POLICIES

The financial information has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the financial information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

Basis of consolidation

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

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Interests in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in the financial information using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

When a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Non-current assets held for sale

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

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

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.

Sales of goods are recognised when goods are delivered and title has passed.

Income for provision of after-sale services is recognised when the services are rendered.

Rental and management service income is recognised on a straight-line basis over the term of the relevant lease.

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

Investment properties

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

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

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

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Construction in progress represents buildings under construction for production, which is stated at cost, less any recognised impairment loss. Construction in progress is not depreciated until completion of construction and the asset is put into intended use. The cost of completed construction works is transferred to appropriate category of property, plant and equipment.

Building and leasehold improvements are depreciated on a straight-line basis over the remaining term of the leases or over their estimated useful lives and after taking into account of their estimated residual value, on a straight-line basis, whichever is shorter.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, buildings and leasehold improvements, over their estimated useful lives, on a reducing balance basis.

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 value of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Land use rights

Land use rights represent interest in land held under operating lease arrangements and are amortised on a straightline basis over the lease terms.

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Intangible assets

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is carried at cost less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation is provided to write off the cost of development expenditure on a straight-line basis over its estimated useful life of three years.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion.

Impairment losses on tangible assets and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying value of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet 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 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset/liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments (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 asset/liability, or, where appropriate, a shorter period to the net carrying amount of the asset/liability on initial recognition.

Loans and receivables

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

Impairment of financial assets

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

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

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

For certain categories of financial asset, such as trade receivables, 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 of 7 days to 30 days, 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 value and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade and other payables, bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Company's directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Leases

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 lessee

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

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 exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the financial information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when 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.

Taxation

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

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

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

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

The carrying amount of deferred taxation assets is reviewed at each balance sheet date 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.

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

Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all its employees in Hong Kong. Payment to the MPF Scheme is charged as expenses when employees have rendered service entitling them to the contributions.

In addition, the Group's contributions to a local municipal government retirement scheme in the PRC are expensed when employees have rendered service entitling them to the contributions while the local municipal government in the PRC undertakes to assume the retirement benefit obligations of all existing and future retirees of the qualified staff in the PRC.

Share-based payments*Share options granted to employees and directors of the Group*

For share options which were granted to employees and directors of the Group after 7 November 2002 and vested on or after 1 January 2005, 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 each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited, after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in share option reserve. In relation to share options granted before 1 April 2005, the Group chooses not to apply HKFRS 2 Share-based Payments with respect to share options granted after 7 November 2002 and vested before 1 April 2005, no amount has been recognised in the financial information in respect of these equity-settled share-based payments.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies described in note 4, management makes various estimations based on past experiences, expectations of the future and other information. The key source of estimation uncertainty that may significantly affect the amounts recognised in the financial information is disclosed below:

Investment properties

As set out in note 4, investment properties are measured using the fair value model. The fair values of the Group's certain investment properties are arrived at on the basis of a valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain assumptions. In relying on the valuation report, the management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions. The carrying amounts of investment properties as at 31 March 2007, 2008 and 2009 are HK\$467,000,000, HK\$391,181,000 and HK\$203,182,000 respectively. Details of these investment properties are set out in note 15.

Trade receivables

Note 4 describes that trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. An impairment loss is recognised in profit and loss when there is objective evidence that the asset is impaired.

In making the judgment, management considered detailed procedures have been in place to monitor this risk as a significant proportion of the Group's investment for working capital is devoted to trade receivables. In determining whether there is objective evidence of impairment, the Group takes into consideration estimation of future cash flows. As at 31 March 2007, 2008 and 2009, the carrying amounts of trade receivable are HK\$170,502,000, HK\$173,037,000 and HK\$53,943,000 (net of allowance for doubtful debts of nil, HK\$255,000 and HK\$28,114,000) respectively. Details are set out in note 21.

Impairment assessment on property, plant and equipment and intangible assets

The Group assesses whether there are any indicators of impairment for property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows where the actual future cash flows are less than the expected future cash flow, impairment losses may arise. The carrying amounts of property, plant and equipment at 31 March 2007, 2008 and 2009 are HK\$886,653,000, HK\$846,393,000 and HK\$287,862,000 respectively (net of accumulated impairment loss of nil, HK\$5,245,000 and HK\$426,835,000). Details are set out in note 16.

Determining whether capitalised development expenditure is impaired requires an estimation of the recoverable amount through future commercial activity which requires the Group to estimate the future cash flows expected to arise from the developed products. Impairment losses may arise when actual cash flows are less than expected. As at 31 March 2007, 2008 and 2009, impairment loss of nil, nil and HK\$32,884,000 has been identified respectively. Details of the impairment test on capitalised development expenditure is set out in note 19.

Contingent liabilities in respect of litigations and claims

The Group has been engaged in a number of litigations and claims. Contingent liabilities arising from these litigations and claims have been assessed by management with reference to legal advice. Details are set out in note 38.

Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated variable selling expenses. The cost of inventories is written down to net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The amount written off to the consolidated income statement is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recovered, significant judgements are required. In making this judgement, the Company evaluates, among other factors, the duration and extent and the means by which the amount will be recovered. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer preference and competitor actions in response to market conditions.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into two operating divisions – electronics manufacturing services business (“EMS business”) and property investment.

The Group was also involved in the manufacture and trading of mobile electronic products (“Mobile division”) operation, which was discontinued during the year ended 31 March 2009 (see note 12). The figures for years 2007 and 2008 have been restated to represent the corresponding segment information of that discontinued operation.

These divisions are the basis on which the Group reports its primary segment information.

The EMS business is engaged in design, manufacture and sale of electronic and electrical products while property investment is engaged in property rental and provision of management services.

Segment information about these businesses is presented below:

Year 2007

(i) Consolidated income statement

	Continuing operations		Discontinued operation		Eliminations	Consolidated
	EMS business	Property investment	Total	Mobile division		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3,485,268	11,765	3,497,033	157,893	-	3,654,926
Inter-segment sales	1,837	-	1,837	-	(1,837)	-
	<u>3,487,105</u>	<u>11,765</u>	<u>3,498,870</u>	<u>157,893</u>	<u>(1,837)</u>	<u>3,654,926</u>
Result						
Segment result	<u>10,339</u>	<u>61,193</u>	71,532	(7,126)		64,406
Interest income			5,071	-		5,071
Other rental income			1,299	-		1,299
Finance costs			(36,585)	(605)		(37,190)
Share of results of an associate			574	-		574
Unallocated income			<u>1,543</u>	<u>-</u>		<u>1,543</u>
Profit (loss) before taxation			43,434	(7,731)		35,703
Taxation			<u>(22,086)</u>	<u>(535)</u>		<u>(22,621)</u>
Profit (loss) for the year			<u>21,348</u>	<u>(8,266)</u>		<u>13,082</u>

(ii) Consolidated balance sheet

	EMS business	Property investment	Consolidated
	HK\$'000	HK\$'000	HK\$'000
Assets			
Segment assets	1,633,939	479,038	2,112,977
Interests in an associate			1,641
Unallocated assets			<u>214,306</u>
			<u>2,328,924</u>
Liabilities			
Segment liabilities	367,872	24,737	392,609
Unallocated liabilities			<u>855,436</u>
			<u>1,248,045</u>

(iii) Other information

	Continuing Operations		Discontinued Operation	Consolidated
	EMS business	Property investment	Mobile division	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure	103,248	6,677	21,607	131,532
Depreciation and amortisation	98,435	–	1,243	99,678
Loss on disposal of property, plant and equipment	686	–	–	686
Net gain on investment properties	–	(57,519)	–	(57,519)

Year 2008

(i) Consolidated income statement

	Continuing operations		Discontinued operation		Consolidated	
	EMS business	Property investment	Total	Mobile division		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Eliminations	HK\$'000
Turnover	2,493,577	14,516	2,508,093	578,879	–	3,086,972
Inter-segment sales	8,395	–	8,395	1,096	(9,491)	–
	<u>2,501,972</u>	<u>14,516</u>	<u>2,516,488</u>	<u>579,975</u>	<u>(9,491)</u>	<u>3,086,972</u>
Result						
Segment result	<u>(12,985)</u>	<u>(70,562)</u>	(83,547)	(3,388)	–	(86,935)
Interest income			4,457	5	–	4,462
Other rental income			1,068	19	–	1,087
Finance costs			(43,368)	(2,734)	–	(46,102)
Unallocated net expenses			<u>(29,926)</u>	–	–	<u>(29,926)</u>
Loss before taxation			(151,316)	(6,098)	–	(157,414)
Taxation			<u>20,328</u>	<u>535</u>	–	<u>20,863</u>
Loss for the year			<u>(130,988)</u>	<u>(5,563)</u>	–	<u>(136,551)</u>

(ii) Consolidated balance sheet

	EMS business HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Assets			
Segment assets	1,609,092	403,688	2,012,780
Unallocated assets			<u>206,957</u>
			<u><u>2,219,737</u></u>
Liabilities			
Segment liabilities	302,278	13,342	315,620
Unallocated liabilities			<u>966,136</u>
			<u><u>1,281,756</u></u>

(iii) Other information

	Continuing Operations		Discontinued Operation	
	EMS business HK\$'000	Property investment HK\$'000	Mobile division HK\$'000	Consolidated HK\$'000
Capital expenditure	61,103	862	18,240	80,205
Depreciation and amortisation	94,586	–	6,612	101,198
Loss (gain) on disposal of property, plant and equipment	4,868	–	(2)	4,866
Net loss on investment properties	–	78,063	–	78,063
Impairment loss on inventories	16,000	–	–	16,000
Impairment loss on property, plant and equipment	5,245	–	–	5,245
Impairment loss on trade receivable	<u>–</u>	<u>–</u>	<u>255</u>	<u>255</u>

Year 2009

(i) Consolidated income statement

	Continuing operations		Discontinued operation		Eliminations	Consolidated
	EMS business HK\$'000	Property investment HK\$'000	Total HK\$'000	Mobile division HK\$'000		
Turnover	1,525,438	12,834	1,538,272	312,806	-	1,851,078
Inter-segment sales	<u>7,261</u>	<u>-</u>	<u>7,261</u>	<u>-</u>	<u>(7,261)</u>	<u>-</u>
	<u>1,532,699</u>	<u>12,834</u>	<u>1,545,533</u>	<u>312,806</u>	<u>(7,261)</u>	<u>1,851,078</u>
Result						
Segment result	<u>(752,656)</u>	<u>(28,321)</u>	(780,977)	(111,252)		(892,229)
Interest income			888	68		956
Other rental income			744	14		758
Finance costs			(36,204)	(2,165)		(38,369)
Unallocated net expenses			(31,739)	-		(31,739)
Settlement of trade payables at a discount			<u>-</u>	<u>28,402</u>		<u>28,402</u>
Loss before taxation			(847,288)	(84,933)		(932,221)
Taxation			<u>15,893</u>	<u>-</u>		<u>15,893</u>
Loss for the year			<u>(831,395)</u>	<u>(84,933)</u>		<u>(916,328)</u>

(ii) Consolidated balance sheet

	EMS business HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Assets			
Segment assets	554,825	435,577	990,402
Unallocated assets			<u>80,686</u>
			<u>1,071,088</u>
Liabilities			
Segment liabilities	286,313	82,707	369,020
Unallocated liabilities			<u>683,415</u>
			<u>1,052,435</u>

(iii) Other information

	Continuing Operations		Discontinued Operation	Consolidated
	EMS business HK\$'000	Property investment HK\$'000	Mobile division HK\$'000	
Capital expenditure	29,491	2,873	7,697	40,061
Depreciation and amortisation	75,851	1,965	6,036	83,852
Loss on disposal of property, plant and equipment	24,775	–	1,006	25,781
Net loss on investment properties	–	20,804	–	20,804
Impairment loss on inventories	60,535	–	36,834	97,369
Impairment loss on property, plant and equipment	405,989	–	15,601	421,590
Impairment loss on trade receivables	23,357	–	4,502	27,859
Impairment loss on intangible assets	16,471	–	16,413	32,884
Impairment loss on deposits for acquisition of land use rights	–	9,563	–	9,563

(b) Geographical segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods manufactured or services rendered:

	Turnover		
	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
America	2,869,928	2,041,749	1,022,497
Europe	461,226	621,821	476,084
Asia	185,076	171,682	147,998
Others	138,696	251,720	204,499
	<u>3,654,926</u>	<u>3,086,972</u>	<u>1,851,078</u>

All the Group's assets and capital expenditure incurred during the Relevant Periods are located in the PRC. Consequently, no geographical segment asset analysis is presented.

7. FINANCE COSTS

	Continuing operations			Discontinued operation			Consolidated		
	Year ended 31 March			Year ended 31 March			Year ended 31 March		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank and other borrowings wholly repayable within five years	(37,356)	(42,936)	(35,619)	(605)	(2,687)	(2,143)	(37,961)	(45,623)	(37,762)
Finance lease charges	(178)	(432)	(585)	–	(47)	(22)	(178)	(479)	(607)
	(37,534)	(43,368)	(36,204)	(605)	(2,734)	(2,165)	(38,139)	(46,102)	(38,369)
Less: Interest capitalised in construction in progress	949	–	–	–	–	–	949	–	–
	<u>(36,585)</u>	<u>(43,368)</u>	<u>(36,204)</u>	<u>(605)</u>	<u>(2,734)</u>	<u>(2,165)</u>	<u>(37,190)</u>	<u>(46,102)</u>	<u>(38,369)</u>

8. PROFIT (LOSS) BEFORE TAXATION

	Continuing operations			Discontinued operation			Consolidated		
	Year ended 31 March			Year ended 31 March			Year ended 31 March		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (loss) before taxation has been arrived at after charging (crediting):									
Directors' emoluments (note 10)	6,965	9,151	7,712	–	–	–	6,965	9,151	7,712
Contributions to retirement benefit schemes of other staff	5,698	5,173	4,894	177	1,331	267	5,875	6,504	5,161
Other staff costs:									
– severance payment	–	–	6,014	–	–	3,809	–	–	9,823
– salaries and other staff benefits	406,414	321,837	222,613	19,288	35,004	31,401	425,702	356,841	254,014
Total staff costs	419,077	336,161	241,233	19,465	36,335	35,477	438,542	372,496	276,710
Less: Staff costs capitalised in development expenditure	(14,321)	(12,453)	(4,169)	(4,595)	(8,590)	(4,026)	(18,916)	(21,043)	(8,195)
Staff costs capitalised in construction in progress	(1,000)	(161)	–	–	–	–	(1,000)	(161)	–
	<u>403,756</u>	<u>323,547</u>	<u>237,064</u>	<u>14,870</u>	<u>27,745</u>	<u>31,451</u>	<u>418,626</u>	<u>351,292</u>	<u>268,515</u>
Amortisation of intangible assets, included in cost of sales	17,779	18,638	12,936	899	4,471	3,720	18,678	23,109	16,656
Amortisation of land use rights	1,452	1,653	1,676	–	–	–	1,452	1,653	1,676
Depreciation of property, plant and equipment:									
– Owned assets	78,439	73,018	62,023	344	2,003	2,177	78,783	75,021	64,200
– Assets held under finance leases	765	1,277	1,181	–	138	139	765	1,415	1,320
	<u>79,204</u>	<u>74,295</u>	<u>63,204</u>	<u>344</u>	<u>2,141</u>	<u>2,316</u>	<u>79,548</u>	<u>76,436</u>	<u>65,520</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	Continuing operations			Discontinued operation			Consolidated		
	Year ended 31 March			Year ended 31 March			Year ended 31 March		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Auditors' remuneration	1,310	1,700	1,885	40	120	120	1,350	1,820	2,005
Cost of inventories recognised									
as expense	3,325,740	2,373,341	1,666,588	157,493	565,733	371,083	3,483,233	2,939,074	2,037,671
Exchange losses, net	6,519	37,274	16,562	422	2,683	273	6,941	39,957	16,835
Loss (gain) on disposal of property, plant and equipment	686	4,868	24,775	-	(2)	1,006	686	4,866	25,781
Gain (loss) on disposal of an associate	(960)	359	-	-	-	-	(960)	359	-
Gain on disposal of available-for-sale financial assets	(2,741)	(393)	-	-	-	-	(2,741)	(393)	-
Operating lease rentals in respect of building premises	3,975	3,122	3,340	439	608	644	4,414	3,730	3,984
Rental and management services income net of direct expenses amounting to HK\$8,091,000 (2008: HK\$7,015,000 and 2009: HK\$7,374,000)	(3,674)	(7,501)	(5,460)	-	-	-	(3,674)	(7,501)	(5,460)
Interest income on:									
- bank balances and deposits	(3,878)	(4,457)	(888)	-	(5)	(68)	(3,878)	(4,462)	(956)
- long-term bank deposit (imputed interest income)	(1,193)	-	-	-	-	-	(1,193)	-	-
	(5,071)	(4,457)	(888)	-	(5)	(68)	(5,071)	(4,462)	(956)
Impairment loss on deposits									
for acquisition of land use rights	-	-	9,563	-	-	-	-	-	9,563
Impairment losses on trade receivables	-	-	23,357	-	255	4,502	-	255	27,859
Impairment loss on intangible assets	-	-	16,471	-	-	16,413	-	-	32,884
Impairment loss on inventories	-	16,000	60,535	-	-	36,834	-	16,000	97,369
Share of taxation of an associate (included in share of results of an associate)	213	-	-	-	-	-	213	-	-

9. TAXATION

	Continuing operations			Discontinued operation			Consolidated		
	Year ended 31 March			Year ended 31 March			Year ended 31 March		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
The (charge) credit comprises:									
Current taxation									
Hong Kong									
- Underprovision in prior years	(932)	-	(3,910)	-	-	-	(932)	-	(3,910)
PRC Enterprise Income Tax									
- Provided for the year	-	(530)	(3,300)	-	-	-	-	(530)	(3,300)
- Underprovision in prior years	-	(1,072)	-	-	-	-	-	(1,072)	-
	(932)	(1,602)	(7,210)	-	-	-	(932)	(1,602)	(7,210)
Deferred taxation (charge) credit (note 28)	(21,154)	21,930	23,103	(535)	535	-	(21,689)	22,465	23,103
Taxation (charge) credit for the year	<u>(22,086)</u>	<u>20,328</u>	<u>15,893</u>	<u>(535)</u>	<u>535</u>	<u>-</u>	<u>(22,621)</u>	<u>20,863</u>	<u>15,893</u>

- (a) 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. Accordingly, Hong Kong Profits Tax is calculated at 17.5% and 16.5% of the estimated assessable profits for the years ended 31 March 2007, 2008 and 2009, respectively.
- (b) Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.
- (c) The Group appealed to the Board of Review against determination made by the IRD that some profits of certain subsidiaries ("Subsidiaries") for the years of assessment 1991/92 to 1995/96 should be Hong Kong sourced and subject to 50% of Hong Kong Profits Tax (the "Tax Appeal"). The Board of Review delivered its decision (the "Board's Decision") of the Tax Appeal whereby it dismissed the appeal of one of the subsidiaries (the "Said Subsidiary") but allowed the appeals of all other subsidiaries.
- The Said Subsidiary has appealed to the Court of First Instance of High Court and the Court of Appeal of High Court, against the Board's Decision and both of the appeals were dismissed in December 2007 and October 2008, respectively. The Said Subsidiary has further lodged an appeal (the "Final Appeal") to the CFA and the Final Appeal hearing was held on 8 July 2009 but the CFA has reserved its judgment of the appeal at that date.
- (d) In addition, for the years of assessment of 1996/97 to 2004/05, the IRD issued notices of assessment to the Group regarding the taxability of profits of the Subsidiaries. The Group had already lodged objections against these assessments ("Objections").
- (e) Currently, amounts of HK\$8,991,000, HK\$8,991,000 and HK\$8,991,000; and HK\$38,503,000, HK\$38,503,000 and HK\$38,503,000 as at 31 March 2007, 2008 and 2009 have been paid to the IRD in relation to the Tax Appeal and the Objections as noted in (c) and (d) respectively and these amounts have been included in the taxation recoverable.
- (f) The Commissioner of Inland Revenue has issued a writ in the District Court (the "Said Proceedings") against the Said Subsidiary to recover a sum of around HK\$33,222,000 allegedly being the tax due and payable by the Said Subsidiary for the years of assessment 2000/2001 to 2003/2004. A hearing took place at the District Court and a judgment was delivered against the Said Subsidiary (the "Said Judgment").

The Said Subsidiary has lodged an application for, inter alia, setting aside and stay of execution of the Said Judgment in District Court. The application was declined in December 2008. The Said Subsidiary is in the course of seeking leave to appeal to the Court of Appeal of High Court. The hearing is fixed in February 2010.

- (g) In respect of the Tax Appeal and the Objections as described in (c) and (d) respectively, the Group has made provisions of HK\$12,781,000, HK\$12,781,000 and HK\$12,781,000 at 31 March 2007, 2008 and 2009 for the Tax Appeal and HK\$64,164,000, HK\$64,164,000 and HK\$68,030,000 at 31 March 2007, 2008 and 2009 respectively for the Objections in respect of the potential tax liabilities in its consolidated balance sheet as at 31 March 2009 in accordance with the IRD's determination. The directors of the Company considered that there was no material underprovision of tax liabilities as at 31 March 2009.
- (h) Subsequent to the date the consolidated financial statements of the Group for the year ended 31 March 2009 were authorised for issue, the CFA concluded that the additional assessments raised by the IRD for the years of assessment 1991/92 to 1995/96 were not validly made by the IRD. However, the CFA held that the IRD can raise additional assessments for the years of assessment 1993/94 to 1995/96 on a different basis. Up to the date of this report, the IRD had not yet issued any new additional assessments. Prior to the new additional assessments being raised by the IRD for the years of assessment 1993/94 to 1995/96, the directors of the Company believe that a reliable estimate of the amount of new additional assessment cannot be made and hence it is not possible to determine presently the amount of the provision recognised as at 31 March 2009 of HK\$12.8 million that should be reversed or the amount of additional provision that may be required.

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

	Year ended 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) before taxation			
From continuing operations	43,434	(151,316)	(847,288)
From discontinued operation	(7,731)	(6,098)	(84,933)
	<u>35,703</u>	<u>(157,414)</u>	<u>(932,221)</u>
Tax (charge) credit at domestic income			
tax rate of 17.5%, 17.5% and 16.5%			
(see note (a) above)	(6,248)	27,547	153,816
Tax effect of share of results of associates	100	–	–
Tax effect of expenses not deductible for tax purpose	(10,607)	(9,112)	(100,417)
Tax effect of income not taxable for tax purpose	10,064	9,574	32,103
Underprovision in prior years	(932)	(1,072)	(3,910)
Tax effect of tax losses not recognised	(3,329)	(6,091)	(15,380)
Utilisation of tax losses previously not recognised	320	187	–
Income tax at concessionary rate	(4,391)	(6,311)	(40,465)
Change in opening balance of deferred			
taxation liabilities	–	9,341	1,711
Effect of different tax rates of subsidiaries operating			
in other jurisdictions	(9,230)	(5,205)	(3,415)
Others	1,632	2,005	(8,150)
	<u>(22,621)</u>	<u>20,863</u>	<u>15,893</u>
Taxation (charge) credit for the year	<u>(22,621)</u>	<u>20,863</u>	<u>15,893</u>

10. DIRECTORS' EMOLUMENTS

Details of the emoluments paid or payable to the directors of the Company were as follows:

Year ended 31 March 2007

	Dr. Lam Man Chan	Ms. Ting Lai Ling	Ms. Ting Lai Wah	Mr. Lam Shing Ngai	Mr. Hui King Chun	Mr. Yeung Cheuk Kwong	Mr. Ng Chi Yeung, Simon	Mr. Tam Yuk Sang, Sammy	Mr. Ho Lok Cheong	Total 2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Fees	780	-	-	60	-	400	180	180	120	1,720
Other emoluments										
Basic salaries and allowance	1,300	1,300	960	87	336	1,200	-	-	-	5,183
Contributions to retirement benefits schemes	12	12	12	2	12	12	-	-	-	62
Total emoluments	2,092	1,312	972	149	348	1,612	180	180	120	6,965

Year ended 31 March 2008

	Dr. Lam Man Chan	Ms. Ting Lai Ling	Ms. Ting Lai Wah	Mr. Lam Shing Ngai	Mr. Yeung Cheuk Kwong	Mr. Ng Chi Yeung, Simon	Mr. Tam Yuk Sang, Sammy	Mr. Ho Lok Cheong	Total 2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Fees	780	-	-	390	520	180	180	120	2,170
Other emoluments									
Basic salaries and allowance	1,300	1,300	960	566	1,560	-	-	-	5,686
Contributions to retirement benefits schemes	12	12	12	12	12	-	-	-	60
Share-based payments	-	-	739	74	422	-	-	-	1,235
Total emoluments	2,092	1,312	1,711	1,042	2,514	180	180	120	9,151

Year ended 31 March 2009

	Dr. Lam Man Chan	Ms. Ting Lai Ling	Ms. Ting Lai Wah	Mr. Lam Shing Ngai	Mr. Yeung Cheuk Kwong	Mr. Ng Chi Yeung, Simon	Mr. Tam Yuk Sang, Sammy	Mr. Ho Lok Cheong	Total 2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees	780	-	-	390	520	180	180	120	2,170
Other emoluments									
Basic salaries and allowance	1,244	1,244	960	541	1,493	-	-	-	5,482
Contributions to retirement benefits schemes	12	12	12	12	12	-	-	-	60
Total emoluments	<u>2,036</u>	<u>1,256</u>	<u>972</u>	<u>943</u>	<u>2,025</u>	<u>180</u>	<u>180</u>	<u>120</u>	<u>7,712</u>

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three of each year of 31 March 2007, 2008 and 2009 were directors of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining two of each year of 2007, 2008 and 2009 were as follows:

	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Basic salaries and allowance	<u>2,289</u>	<u>2,948</u>	<u>2,627</u>

	Year ended 31 March		
	2007 Number of employees	2008 Number of employees	2009 Number of employees
HK\$1,000,001 to HK\$1,500,000	2	1	2
HK\$1,500,001 to HK\$2,000,000	<u>-</u>	<u>1</u>	<u>-</u>

12. DISCONTINUED OPERATION

Weeateck Limited ("Weeateck" and formerly known as Ngai Lik Mobile Electronics Limited) was engaged in the manufacturing and trading of mobile electronic products.

On 27 March 2009, it was resolved by the sole director of Weeateck that Weeateck cannot by reason of its liabilities continue its business. Accordingly, Weeateck ceased its business trading and production during the year then ended. Special resolutions were passed by the shareholder of Weeateck at the extraordinary general meeting held on 24 April 2009 to wind up Weeateck voluntarily and appoint Mr. Kong Chi How, Johnson of BDO Financial Services Limited as liquidator for the purpose of the winding-up affairs. On the same day, a meeting of the creditors of Weeateck was also held subsequently whereby the appointed liquidator was confirmed by the creditors of Weeateck.

An analysis of the results and cash flows of the discontinued operation included in the consolidated income statement and the consolidated cash flow statement is as follows:

Loss for the year from discontinued operation

	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Turnover	157,893	579,975	312,806
Cost of sales	<u>(157,493)</u>	<u>(565,733)</u>	<u>(371,083)</u>
Gross profit (loss)	400	14,242	(58,277)
Other operating expenses	(423)	(2,402)	(1,098)
Selling and distribution expenses	(1,071)	(1,808)	(2,361)
Administrative expenses	(6,032)	(13,420)	(17,501)
Other income	–	24	81
Impairment loss on property, plant and equipment	–	–	(15,601)
Impairment loss on intangible assets	–	–	(16,413)
Finance costs	<u>(605)</u>	<u>(2,734)</u>	<u>(2,165)</u>
Loss before taxation	(7,731)	(6,098)	(113,335)
Taxation (charge) credit	<u>(535)</u>	<u>535</u>	<u>–</u>
Loss for the year from discontinued operation	(8,266)	(5,563)	(113,335)
Settlement of trade payables at a discount	<u>–</u>	<u>–</u>	<u>28,402</u>
Net loss on discontinuance	<u><u>(8,266)</u></u>	<u><u>(5,563)</u></u>	<u><u>(84,933)</u></u>
Cash flows from (used in) discontinued operation			
Net cash (used in) from operating activities	(17,430)	(20,416)	48,983
Net cash used in investing activities	(22,155)	(16,307)	(7,210)
Net cash from (used in) financing activities	<u>44,732</u>	<u>39,903</u>	<u>(49,977)</u>
Net increase (decrease) in cash flows	<u><u>5,147</u></u>	<u><u>3,180</u></u>	<u><u>(8,204)</u></u>

13. DIVIDEND

	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Dividend recognised as distribution during the year:			
Interim dividend paid: 2007: HK1 cent, 2008: HK1 cent and 2009: Nil per share	<u>7,930</u>	<u>7,930</u>	<u>–</u>

No final dividend for each of the Relevant Periods has been proposed by the directors of the Company.

14. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	Year ended 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the year attributable to equity holders of the Company for the purposes of basic earnings (loss) per share	<u>13,082</u>	<u>(136,551)</u>	<u>(916,328)</u>
	Number of ordinary shares		
	Year ended 31 March		
	2007	2008	2009
Number of ordinary shares for the purposes of basic earnings (loss) per share	<u>793,016,684</u>	<u>793,016,684</u>	<u>793,016,684</u>

The computation of diluted loss per share for 2008 and 2009 does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share. No diluted earnings per share has been presented for 2007 as the exercise price of the Company's options was higher than the average market price of the Company's share.

From continuing operations

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

	Year ended 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the year attributable to equity holders of the Company for the purposes of basic earnings (loss) per share	<u>21,348</u>	<u>(130,988)</u>	<u>(831,395)</u>
	Number of ordinary shares		
	Year ended 31 March		
	2007	2008	2009
Number of ordinary shares for the purposes of basic earnings (loss) per share	<u>793,016,684</u>	<u>793,016,684</u>	<u>793,016,684</u>

The computation of diluted loss per share for 2008 and 2009 does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share. No diluted earnings per share has been presented for 2007 as the exercise price of the Company's options was higher than the average market price of the Company's share.

15. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 1 April 2006	186,358
Additions	6,677
Transfer from property, plant and equipment	198,746
Transfer to property, plant and equipment	(5,300)
Transfer from land use rights	23,000
Increase in fair value of investment properties	<u>57,519</u>
At 31 March 2007	467,000
Effect on exchange rate movements	46,187
Additions	862
Transfer from construction in progress	1,382
Decrease in fair value of investment properties	<u>(124,250)</u>
At 31 March 2008	391,181
Effect on exchange rate movements	7,455
Additions	2,873
Decrease in fair value of investment properties	(28,259)
Transfer from property, plant and equipment	2,432
Transfer to assets classified as held for sale	<u>(172,500)</u>
At 31 March 2009	<u><u>203,182</u></u>

The fair values of the Group's investment properties at 31 March 2007, 2008 and 2009 have been arrived at on the basis of valuations carried out on that date by B.I. Appraisals Limited, a firm of independent qualified professional valuers not connected with the Group. The valuation was arrived at by adopting the investment approach by taking into account the current rent passing and the reversionary income potential of the property.

The investment properties are situated outside Hong Kong and represent interests in industrial plants in the PRC, which are under medium-term leases.

16. PROPERTY, PLANT AND EQUIPMENT

	Medium-term leasehold land and buildings in Hong Kong HK\$'000	Buildings outside Hong Kong HK\$'000	Construction in progress HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Leasehold improvements, office equipment, furniture and fixtures HK\$'000	Moulds HK\$'000	Total HK\$'000
COST								
At 1 April 2006	16,298	425,820	33,246	41,543	646,321	203,585	288,364	1,655,177
Additions	-	5,077	19,361	2,864	28,020	20,066	24,714	100,102
Transfer from investment properties	5,300	-	-	-	-	-	-	5,300
Transfer to investments properties	-	(195,190)	-	-	(1,025)	(80,285)	-	(276,500)
Increase in fair value upon transfer to investment properties	-	2,594	-	-	-	-	-	2,594
Transfers	-	43,175	(43,441)	-	-	266	-	-
Disposals	-	-	-	(2,678)	(15,921)	(27)	(15)	(18,641)
At 31 March 2007	21,598	281,476	9,166	41,729	657,395	143,605	313,063	1,468,032
Additions	-	879	9,536	1,343	18,177	13,011	8,941	51,887
Transfer to investment properties	-	-	(1,382)	-	-	-	-	(1,382)
Transfers	-	17,155	(17,320)	-	158	7	-	-
Disposals	-	-	-	(3,824)	(22,956)	(352)	(1,875)	(29,007)
At 31 March 2008	21,598	299,510	-	39,248	652,774	156,271	320,129	1,489,530
Additions	-	967	145	6,573	3,275	5,358	9,419	25,737
Transfer to assets classified as held for sales	-	(60,205)	-	-	-	(29,296)	-	(89,501)
Transfer to investment properties	-	-	-	-	-	(2,582)	-	(2,582)
Transfers	-	22,587	(145)	-	-	(22,442)	-	-
Disposals	-	(816)	-	(17,311)	(43,349)	(10,152)	(68,739)	(140,367)
At 31 March 2009	21,598	262,043	-	28,510	612,700	97,157	260,809	1,282,817
DEPRECIATION AND IMPAIRMENT								
At 1 April 2006	7,067	43,502	-	23,886	231,506	100,718	188,011	594,690
Provided for the year	402	7,575	-	3,777	37,923	13,497	16,374	79,548
Transfer to investment properties	-	(29,870)	-	-	(237)	(47,647)	-	(77,754)
Eliminated on disposals	-	-	-	(2,439)	(12,659)	(4)	(3)	(15,105)
At 31 March 2007	7,469	21,207	-	25,224	256,533	66,564	204,382	581,379
Provided for the year	472	7,199	-	3,118	37,243	10,730	17,674	76,436
Impairment loss recognised	-	5,245	-	-	-	-	-	5,245
Eliminated on disposals	-	-	-	(2,350)	(16,355)	(196)	(1,022)	(19,923)
At 31 March 2008	7,941	33,651	-	25,992	277,421	77,098	221,034	643,137
Provided for the year	472	4,803	-	2,373	33,535	9,043	15,294	65,520
Transfer to assets classified as held for sales	-	(17,323)	-	-	-	(17,604)	-	(34,927)
Transfer to investment properties	-	-	-	-	-	(150)	-	(150)
Transfers	-	7,405	-	-	-	(7,405)	-	-
Impairment loss recognised	-	44,096	-	5,169	259,759	38,621	73,945	421,590
Eliminated on disposals	-	(382)	-	(12,814)	(21,113)	(9,079)	(56,827)	(100,215)
At 31 March 2009	8,413	72,250	-	20,720	549,602	90,524	253,446	994,955
CARRYING VALUES								
At 31 March 2009	<u>13,185</u>	<u>189,793</u>	<u>-</u>	<u>7,790</u>	<u>63,098</u>	<u>6,633</u>	<u>7,363</u>	<u>287,862</u>
At 31 March 2008	<u>13,657</u>	<u>265,859</u>	<u>-</u>	<u>13,256</u>	<u>375,353</u>	<u>79,173</u>	<u>99,095</u>	<u>846,393</u>
At 31 March 2007	<u>14,129</u>	<u>260,269</u>	<u>9,166</u>	<u>16,505</u>	<u>400,862</u>	<u>77,041</u>	<u>108,681</u>	<u>886,653</u>

The above items of property, plant and equipment other than buildings and leasehold improvements are depreciated on a reducing balance basis at the following rates per annum:

Motor vehicles	20%
Plant and machinery	5% – 20%
Office equipment	10% – 20%
Furniture and fixtures	10% – 20%
Moulds	15% – 25%

Buildings and leasehold improvements are depreciated on a straight-line basis at the following rates per annum, or the term of the leases, whichever is shorter:

Buildings	2%
Leasehold improvements	10%

During the year ended 31 March 2009, the Group has experienced rapid and continuing deterioration in its business due to the drastic decline in turnover, customers' purchase orders, production scale and customer confidence as a consequence of the financial turmoil. In light of these considerations, the Group recognised impairment losses of nil, HK\$5,245,000 and HK\$44,096,000 for the year ended 31 March 2007, 2008 and 2009, respectively for certain of the Group's buildings outside Hong Kong that have been or will be left vacant and an amount of nil, nil and HK\$369,794,000 for the year ended 31 March 2007, 2008 and 2009, respectively for its property, plant and equipment which are used in the manufacturing and trading of electronic products in profit or loss.

Moreover, during the year ended 31 March 2009, there was a fire incident (the "Incident") in its printed circuit board ("PCB") factory located in Qingyuan, the PRC. As a result of the Incident, certain plant and machinery and factory buildings of the Group in respect of its PCB manufacturing operation were damaged. Accordingly, the Group recognised impairment loss of HK\$7,700,000 in profit or loss.

The carrying values of the buildings outside Hong Kong that have been or will be left vacant at 31 March 2009 amounted to approximately HK\$41,011,000. The carrying values represent their recoverable amounts, which have been determined based on fair value less cost to sell.

The recoverable amounts of the property, plant and equipment that are used in the manufacturing and trading of electronic products are determined using the value in use calculations. The discount rate in measuring the amounts of value in use was 8% per annum. The carrying values of these property, plant and equipment (net of impairment losses) as at 31 March 2009 amounts to approximately HK\$246,851,000.

Included in the carrying values of property, plant and equipment of the Group at 31 March 2007, 2008 and 2009 is an amount of HK\$8,252,000, HK\$11,856,000 and HK\$3,136,000, respectively in respect of plant and machinery held under finance leases.

Included in construction in progress is net interest capitalised of approximately HK\$949,000 during the year ended 31 March 2007.

For the year ended 31 March 2007, the fair values of the properties transferred to investment properties at the date of transfer had been arrived at on the basis of a valuation carried out on that date by B.I. Appraisals Limited, a firm of independent qualified professional valuers not connected with the Group. B.I. Appraisals Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by adopting investment approach and taking into account the current rent passing and the reversionary income potential of the tenancy.

17. LAND USE RIGHTS

	<i>HK\$'000</i>
COST	
At 1 April 2006	72,502
Additions	22,051
Increase in fair value upon transfer to investment properties	5,664
Transfer to investment properties	<u>(24,333)</u>
At 31 March 2007	75,884
Additions	<u>3,402</u>
At 31 March 2008	79,286
Transfer to assets classified as held for sale	<u>(3,238)</u>
At 31 March 2009	<u>76,048</u>
AMORTISATION	
At 1 April 2006	5,729
Provided for the year	1,452
Transfer to investment properties	<u>(1,333)</u>
At 31 March 2007	5,848
Provided for the year	<u>1,653</u>
At 31 March 2008	7,501
Provided for the year	1,676
Transfer to assets classified as held for sale	<u>(312)</u>
At 31 March 2009	<u>8,865</u>
CARRYING VALUES	
At 31 March 2009	<u><u>67,183</u></u>
At 31 March 2008	<u><u>71,785</u></u>
At 31 March 2007	<u><u>70,036</u></u>

	As at 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysed for reporting purposes as:			
Non-current assets	68,458	70,132	66,582
Current assets	<u>1,578</u>	<u>1,653</u>	<u>601</u>
	<u><u>70,036</u></u>	<u><u>71,785</u></u>	<u><u>67,183</u></u>

The land use rights of the Group are held under medium-term lease in the PRC and amortised over the lease term of 50 years.

Moreover, the directors of the Company conducted a review during the year ended 31 March 2009 of the Group's deposit for acquisition of land use rights which is included in deposits for acquisition of property, plant and equipment and land use rights in the consolidated balance sheet, and determined that the deposit is likely to be irrecoverable. Accordingly, the Group recognised an impairment loss of HK\$9,563,000 in profit or loss.

18. INTEREST IN AN ASSOCIATE

	As at 31 March 2007 <i>HK\$'000</i>
Unlisted investment, at cost	2,340
Share of post acquisition losses, net of dividends received	(699)
	<u>1,641</u>

Details of the Group's associate are as follows:

Name of associate	Place of incorporation	Place of operation	Nominal value of issued ordinary share capital	Percentage of nominal value of issued share capital held by the Group 2007	Principal activity
Sun Bright Investments Limited	Samoa	PRC	US\$1,000,000	30%	Trading and manufacturing of paints (operation ceased since January 2007)

During the year ended 31 March 2008, the interests in an associate were disposed of at a consideration of HK\$1,282,000, resulting in a loss on disposal of HK\$359,000. The consideration was settled by cash consideration of HK\$210,000 after offsetting the advance of HK\$1,072,000 to the Group.

The summarised financial information in respect of the Group's associate is set out below:

	As at 31 March 2007 <i>HK\$'000</i>
Total assets	5,481
Total liabilities	(12)
Net assets	<u>5,469</u>
Group's share of net assets of an associate	<u>1,641</u>
Turnover	<u>12,019</u>
Loss for the year	<u>(1,440)</u>
Group's share of results of an associate for the year	<u>(432)</u>

19. INTANGIBLE ASSETS

	<i>HK\$'000</i>
COST	
At 1 April 2006	90,298
Additions	<u>24,753</u>
At 31 March 2007	115,051
Additions	<u>27,456</u>
At 31 March 2008	142,507
Additions	<u>11,451</u>
At 31 March 2009	<u>153,958</u>
AMORTISATION AND IMPAIRMENT	
At 1 April 2006	62,631
Provided for the year	<u>18,678</u>
At 31 March 2007	81,309
Provided for the year	<u>23,109</u>
At 31 March 2008	104,418
Provided for the year	16,656
Impairment loss recognised	<u>32,884</u>
At 31 March 2009	<u>153,958</u>
CARRYING VALUES	
At 31 March 2009	<u><u>–</u></u>
At 31 March 2008	<u><u>38,089</u></u>
At 31 March 2007	<u><u>33,742</u></u>

The above intangible assets represent development expenditure capitalised and have definite useful lives. Such intangible assets are amortised on a straight-line basis over a period of 3 years.

As at 31 March 2009, the directors of the Company had performed an impairment testing on the Group's intangible assets, and they considered that the carrying values of the intangible assets are in excess of their recoverable amounts as a result of the rapid and continuing deterioration in the Group's business, decline in production orders, the continuing operating losses of certain subsidiaries and discontinuation of the mobile business. Accordingly, provision for impairment of HK\$32,884,000 was recognised in profit or loss.

20. INVENTORIES

	As at 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	290,590	291,436	81,650
Work in progress	64,984	43,137	13,433
Finished goods	87,068	118,492	35,536
	<u>442,642</u>	<u>453,065</u>	<u>130,619</u>

21. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	163,847	173,292	82,057
Bills receivable	6,655	–	–
Less: allowance for doubtful debts	–	(255)	(28,114)
	<u>170,502</u>	<u>173,037</u>	<u>53,943</u>
Other receivables and prepayments	27,615	25,430	16,847
	<u>198,117</u>	<u>198,467</u>	<u>70,790</u>

Customers are generally granted credit terms of letter of credit at sight or open accounts from 7 days to 30 days. Longer credit periods are granted to several customers which have long business relationship with the Group and strong financial position.

The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts at the balance sheet date:

	As at 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – 30 days	154,228	162,366	50,736
31- 60 days	14,005	8,909	218
61- 90 days	206	679	741
Over 90 days	2,063	1,083	2,248
	<u>170,502</u>	<u>173,037</u>	<u>53,943</u>

Movements in the allowance for doubtful debts

	As at 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at the beginning of the year	–	–	255
Impairment losses recognised on trade receivables	–	255	27,859
Balance at the end of the year	<u>–</u>	<u>255</u>	<u>28,114</u>

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of nil, HK\$255,000 and HK\$28,114,000 as at 31 March 2007, 2008 and 2009 respectively. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	As at 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1 – 60 days	86,625	140,282	23,301
61-90 days	206	679	741
Over 90 days	2,063	1,083	2,248
Total	<u>88,894</u>	<u>142,044</u>	<u>26,290</u>

Trade receivables denominated in currencies other than functional currency of the relevant group entities are set out below:

	As at 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Chinese Renminbi	<u>1,948</u>	<u>4,980</u>	<u>1,651</u>

22. BANK BALANCES AND CASH/BANK OVERDRAFT**Bank balances and cash**

Bank balances and cash comprise short-term bank deposits with maturity of three months or less and cash. The short-term bank deposits carry interest at market rates which ranges, from 2.2% per annum to 6.8% per annum, from 0.4% per annum to 3.2% per annum and from 0.01% per annum to 0.36% per annum for the year ended 31 March 2007, 2008 and 2009, respectively.

Bank overdraft

Bank overdraft carries interest at Hong Kong Prime Rate plus 8% per annum for the year ended 31 March 2009.

23. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 4 July 2008, a subsidiary of the Company entered into a sale and purchase agreement (the “Agreement”) with an independent party (the “Buyer”) to dispose of one of the Group’s factory premises located in Dongguan, the PRC (the “Disposal”) at a consideration of HK\$230,000,000. The premises were used partly for investment purposes and partly as the Group’s manufacturing facilities during the year. The Buyer has paid deposits amounting to HK\$63,000,000 up to 31 March 2009 and has not made any further payments in accordance with the Agreement. The Group is currently negotiating with the Buyer for further payments and completion of the Disposal. The directors of the Company are of the view that the assets will be disposed of within twelve months from the balance sheet date.

The major classes of assets and liabilities classified as held for sale at 31 March 2009 are as follows:

	<i>HK\$'000</i>
Assets	
Investment properties	172,500
Property, plant and equipment	54,574
Land use rights	<u>2,926</u>
Assets classified as held for sale	<u><u>230,000</u></u>
Liabilities	
Deposits received	63,000
Secured bank borrowings	<u>45,454</u>
Liabilities associated with assets classified as held for sale	<u><u>108,454</u></u>

24. TRADE AND OTHER PAYABLES

	As at 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	194,981	148,677	86,288
Bills payable	<u>12,126</u>	<u>29,276</u>	<u>4,168</u>
Other payables	207,107	177,953	90,456
	<u>178,789</u>	<u>129,916</u>	<u>194,956</u>
	<u><u>385,896</u></u>	<u><u>307,869</u></u>	<u><u>285,412</u></u>

The following is an aged analysis of trade and bills payables at the balance sheet date:

	As at 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – 30 days	166,874	152,924	53,615
31 – 60 days	21,962	18,096	5,269
61 – 90 days	2,176	2,202	3,133
Over 90 days	16,095	4,731	28,439
	<u>207,107</u>	<u>177,953</u>	<u>90,456</u>

Trade and bills payables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	As at 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Chinese Renminbi	18,597	18,725	15,698
Euro	370	613	8,942
	<u>18,967</u>	<u>19,338</u>	<u>24,640</u>

25. BANK AND OTHER BORROWINGS

	As at 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount repayable:			
Within one year	426,371	534,710	526,796
More than one year, but not exceeding two years	145,146	78,390	–
More than two years, but not exceeding three years	105,417	205,980	–
More than three years, but not exceeding four years	30,583	6,667	–
More than four years, but not exceeding five years	–	6,667	–
More than five years	–	6,666	–
	707,517	839,080	526,796
Less: Amounts due within one year and shown under current liabilities	<u>(426,371)</u>	<u>(534,710)</u>	<u>(526,796)</u>
Amounts due after one year	<u>281,146</u>	<u>304,370</u>	<u>–</u>
Secured	187,728	350,226	354,752
Unsecured	519,789	488,854	172,044
	<u>707,517</u>	<u>839,080</u>	<u>526,796</u>

The bank and other borrowings of HK\$348,194,000, HK\$202,267,000 and HK\$578,289,000 carry variable interest rates ranging from Hong Kong Inter-bank Offered Rate plus 0.6% to 1.0%, 0.6% to 1.3% and 0.6% to 1.5% per annum for the year ended 31 March 2007, 2008 and 2009, HK\$305,747,000 carry interest ranging from 5.7% to 7.5% per annum, subject to repricing every three months based on the interest rate prescribed by the People's Bank of China for the applicable loan period for the year ended 31 March 2008 and HK\$178,602,000, HK\$331,066,000 and HK\$129,228,000 carry fixed interest rates ranging from 5.7% to 6.9%, 3.0% to 6.1% and 3.0% to 7.5% per annum for the year ended 31 March 2007, 2008 and 2009. Certain assets of the Group have been pledged to secure certain bank and other borrowings of the Group (see note 34).

The Group's borrowings denominated in currencies other than the functional currency of the relevant group entities are set out below:

	As at 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Chinese Renminbi	169,000	305,747	209,520
Japanese Yen	<u>1,722</u>	<u>-</u>	<u>-</u>
	<u><u>170,722</u></u>	<u><u>305,747</u></u>	<u><u>209,520</u></u>

26. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments			Present value		
	As at 31 March			Minimum lease payments		
	2007	2008	2009	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The maturity of the obligations under finance leases is as follows:						
Within one year	2,877	4,344	2,900	2,583	4,083	2,835
More than one year, but not exceeding two years	2,877	2,806	652	2,639	2,717	648
More than two years, but not exceeding five years	<u>1,630</u>	<u>964</u>	<u>106</u>	<u>1,491</u>	<u>951</u>	<u>106</u>
	7,384	8,114	3,658	6,713	7,751	3,589
Less: Future finance charges	<u>(671)</u>	<u>(363)</u>	<u>(69)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Present value of lease obligations	<u><u>6,713</u></u>	<u><u>7,751</u></u>	<u><u>3,589</u></u>	6,713	7,751	3,589
Less: Amounts due within one year shown under current liabilities				<u>(2,583)</u>	<u>(4,083)</u>	<u>(2,835)</u>
Amounts due after one year				<u><u>4,130</u></u>	<u><u>3,668</u></u>	<u><u>754</u></u>

The average lease term is 4 years. For the year ended 31 March 2009 and 2008, interest rates underlying all obligations under finance leases are fixed at respective contract dates at Hong Kong Inter-bank Offered Rate plus 0.8% per annum and fixed interest rate of 3% per annum. For the year ended 31 March 2007, interest rates underlying all obligations under finance leases are fixed at respective contracts dates at Hong Kong Inter-bank Offered Rate plus 0.8% to 1% per annum.

27. PROVISION

The amount represents warranty provision made during the year ended 31 March 2009 based on management's best estimate of the Group's potential liability in relation to warranty provided to customers for electronic products. The amount of provision is estimated based on prior experience and industry averages for defective products.

28. DEFERRED TAXATION

The following are the major deferred taxation liabilities (assets) recognised and movements thereon:

	Accelerated tax depreciation <i>HK\$'000</i>	Intangible assets <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2006	33,430	3,058	16,823	(4,371)	(830)	48,110
Charge to equity for the year	-	-	2,725	-	-	2,725
(Credit) charge to consolidated income statement for the year	(2,409)	(106)	18,982	1,617	3,605	21,689
At 31 March 2007	31,021	2,952	38,530	(2,754)	2,775	72,524
(Credit) charge to consolidated income statement for the year	(4,692)	380	(9,101)	(3,278)	3,567	(13,124)
Change in opening deferred taxation liabilities arising from change in the tax rate	-	-	(9,341)	-	-	(9,341)
At 31 March 2008	26,329	3,332	20,088	(6,032)	6,342	50,059
(Credit) charge to consolidated income statement for the year	(18,648)	(3,142)	(4,663)	3,938	1,123	(21,392)
Change in opening deferred taxation liabilities arising from change in the tax rate	(1,504)	(190)	-	345	(362)	(1,711)
At 31 March 2009	6,177	-	15,425	(1,749)	7,103	26,956

At 31 March 2007, 2008 and 2009, the Group had unused tax losses of HK\$85,276,000, HK\$137,738,000 and HK\$207,070,000 respectively available for offset against future profits and those can be carried forward indefinitely. Deferred taxation assets have been recognised in respect of HK\$15,748,000, HK\$34,468,000 and HK\$10,600,000 of such tax losses as at 31 March 2007, 2008 and 2009. No deferred taxation assets have been recognised in relation to the remaining HK\$69,528,000, HK\$103,270,000 and HK\$196,470,000 as at 31 March 2007, 2008 and 2009 due to the unpredictability of future profit streams.

29. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
Balance as at 1 April 2006, 31 March 2007, 31 March 2008 and 31 March 2009	<u>1,200,000,000</u>	<u>120,000</u>
<i>Issued and fully paid:</i>		
Balance as at 1 April 2006, 31 March 2007, 31 March 2008 and 31 March 2009	<u>793,016,684</u>	<u>79,302</u>

30. SHARE OPTIONS

Pursuant to the share option scheme adopted on 23 August 2002 by the Company (the "Scheme"), the Company may grant options to, inter alia, directors and employees of the Company or its subsidiaries, for the purpose of providing incentives, to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to any one employee shall not be more than 30% of the maximum number of shares in respect of options may be granted under the Scheme. Options granted are exercisable at any time during the option period, a period to be notified by the Board to each grantee at the time of making an offer which shall not expire later than 10 years from the offer date. The subscription price of the option shares shall not be less than the higher of (i) the closing price of the shares on the Stock Exchange on the date of grant; (ii) the average closing price on the Stock Exchange for the five trading days immediately preceding the date of grant; or (iii) the nominal value of a share. Options granted must be taken up within 28 days of the date of grant and a nominal consideration of HK\$1 is payable on each grant of option.

Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Outstanding share options which were granted under the Scheme as at 31 March 2007 are as follows:

Participants	Date of grant	Exercise period	Exercise price per share HK\$	Outstanding at 1 April 2006	Cancelled during the year	Outstanding at 31 March 2007
Director						
Mr. Yeung Cheuk Kwong	10 July 2003	2 August 2003 to 28 February 2008	2.475	4,700,000	(4,700,000)	-
Others						
Employees and other participant	10 July 2003	2 August 2003 to 28 February 2008	2.475	22,000,000	(22,000,000)	-
				<u>26,700,000</u>	<u>(26,700,000)</u>	<u>-</u>

Outstanding share options which were granted under the Scheme as at 31 March 2008 are as follows:

Participants	Date of grant	Exercise period	Exercise price per share HK\$	Outstanding at 1 April 2007	No. of options granted during the period	Outstanding at 31 March 2008
Director						
Ms. Ting Lai Wah	22 May 2007	11 June 2007 to 30 June 2009	0.690	–	7,000,000	7,000,000
Mr. Yeung Cheuk Kwong	22 May 2007	11 June 2007 to 30 June 2009	0.690	–	4,000,000	4,000,000
Mr. Lam Shing Ngai	22 May 2007	11 June 2007 to 30 June 2009	0.690	–	700,000	700,000
Others						
Employees	22 May 2007	11 June 2007 to 30 June 2009	0.690	–	3,300,000	3,300,000
				–	15,000,000	15,000,000
				–	15,000,000	15,000,000

Outstanding share options which were granted under the Scheme as at 31 March 2009 are as follows:

Participants	Date of grant	Exercise period	Exercise price per share HK\$	Outstanding at 1 April 2008	Lapsed during the year	Outstanding at 31 March 2009
Directors						
Ms. Ting Lai Wah	22 May 2007	11 June 2007 to 30 June 2009	0.690	7,000,000	–	7,000,000
Mr. Yeung Cheuk Kwong	22 May 2007	11 June 2007 to 30 June 2009	0.690	4,000,000	–	4,000,000
Mr. Lam Shing Ngai	22 May 2007	11 June 2007 to 30 June 2009	0.690	700,000	–	700,000
Others						
Employees	22 May 2007	11 June 2007 to 30 June 2009	0.690	3,300,000	(650,000)	2,650,000
				15,000,000	(650,000)	14,350,000
				15,000,000	(650,000)	14,350,000

At 31 March 2008, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 15,000,000, representing 1.89% of the shares of the Company in issue at that date.

At 31 March 2009, the number of shares in respect of which options had remained outstanding under the Scheme was 14,350,000, representing 1.81% of the shares of the Company in issue at that date.

Options granted under the Scheme are exercisable at any time during the option period with no vesting conditions.

31. RETIREMENT BENEFIT SCHEMES

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustee.

In addition, the Group's contribution to a local municipal government retirement scheme in the PRC are expensed as fall due while the local municipal government in the PRC undertakes to assume the retirement benefit obligations of all existing and future retirees of the qualified staff in the PRC.

The retirement benefit cost charged to the consolidated income statement represents contributions payable to the schemes by the Group at the rates specified in the rules of the schemes.

32. 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 stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the bank and other borrowings disclosed in note 25, obligations under finance leases disclosed in note 26, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated profits (losses) as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through adjusting the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

33. FINANCIAL INSTRUMENTS

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 4.

(b) Categories of financial instruments

	As at 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Financial assets</i>			
Loans and receivables (including cash and cash equivalents)	<u>354,448</u>	<u>350,300</u>	<u>101,176</u>
<i>Financial liabilities</i>			
Amortised cost	1,093,413	1,146,949	859,506
Obligations under finance leases	<u>6,713</u>	<u>7,751</u>	<u>3,589</u>
	<u>1,100,126</u>	<u>1,154,700</u>	<u>863,095</u>

(c) Financial risk management objectives

The management monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures.

(d) Foreign currency risk management

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk.

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

	Assets			Liabilities		
	As at 31 March			As at 31 March		
	2007	2008	2009	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Canadian Dollars	1,894	3,994	1,840	-	-	-
Chinese Renminbi	77,091	29,203	18,631	250,883	364,082	340,786
Euro	-	-	2	370	613	8,942
Great British Pound	-	-	11	-	-	12,000
	<u> </u>					

Foreign currency sensitivity

The Group is mainly exposed to the currencies of Canadian Dollars, Chinese Renminbi, Euro and Great British Pound.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive (negative) number indicates a decrease (increase) in loss where the functional currencies of the relevant group entities weakens against the relevant foreign currencies. For a 5% strengthening of the functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the profit or loss.

	Effect on profit or loss		
	As at 31 March		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Canadian Dollars	90	190	92
Chinese Renminbi	(8,276)	(15,947)	(16,108)
Euro	(18)	(29)	(447)
Great British Pound	<u>–</u>	<u>–</u>	<u>(599)</u>

In management's opinion, the sensitivity analysis is only an estimation but no representative of the foreign exchange risk inherent in the financial assets and financial liabilities as the year end exposure does not reflect the exposure during the year.

(e) Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 25 for details of these borrowings).

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for nonderivative instruments including bank balances and borrowings, at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit (loss) for the year ended 31 March 2007, 2008 and 2009 would increase/decrease by HK\$2,645,000, HK\$3,714,000 and HK\$2,339,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate bank balances and borrowings.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

(f) Credit risk management

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. It arises primarily from the Group's trade and other receivables. Impairment allowances are made for losses that have been incurred at the balance sheet date.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2007, 2008 and 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet after deducting any impairment allowance.

In respect of the Group's trade and other receivables, in order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate

impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. Further quantitative disclosure in respect of the group's exposure to credit risk arising from trade and other receivables are set out in note 21.

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

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Except for the financial guarantees given by the Company for certain bank facilities of its subsidiaries, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk.

(g) Liquidity risk management

The Group exposed to significant liquidity risk as at the balance sheet date, it is in net current liabilities of approximately HK\$33,589,000, HK\$63,517,000 and HK\$512,029,000 as at 31 March 2007, 2008 and 2009, respectively.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Such non-derivative financial liabilities outstanding at the balance sheet date are considered as if outstanding for the whole year. The table includes both interest and principal cash flows.

	0-60 days HK\$'000	61-180 days HK\$'000	181-365 days HK\$'000	1-2 years HK\$'000	2-3 years HK\$'000	Over 3 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.03.2007 HK\$'000
2007								
Non-derivative financial liabilities								
Trade and other payables	367,585	18,311	-	-	-	-	385,896	385,896
Obligations under finance leases	200	399	2,278	2,877	1,630	-	7,384	6,713
Bank loans	28,229	27,929	122,205	153,711	117,121	55,095	504,290	452,828
Trust receipt loans	168,764	10,354	-	-	-	-	179,118	177,760
Discounted bills	77,308	-	-	-	-	-	77,308	76,929
	<u>642,086</u>	<u>56,993</u>	<u>124,483</u>	<u>156,588</u>	<u>118,751</u>	<u>55,095</u>	<u>1,153,996</u>	<u>1,100,126</u>

	0-60 days HK\$'000	61-180 days HK\$'000	181-365 days HK\$'000	1-2 years HK\$'000	2-3 years HK\$'000	Over 3 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.03.2008 HK\$'000
2008								
Non-derivative financial liabilities								
Trade and other payables	307,749	120	-	-	-	-	307,869	307,869
Obligations under finance leases	270	540	3,534	2,806	835	129	8,114	7,751
Bank loans	16,521	37,222	165,258	87,660	253,563	24,579	584,803	512,493
Trust receipt loans	209,788	16,422	-	-	-	-	226,210	224,807
Discounted bills	95,386	6,745	-	-	-	-	102,131	101,780
	<u>629,714</u>	<u>61,049</u>	<u>168,792</u>	<u>90,466</u>	<u>254,398</u>	<u>24,708</u>	<u>1,229,127</u>	<u>1,154,700</u>

	0-60 days HK\$'000	61-180 days HK\$'000	181-365 days HK\$'000	1-2 years HK\$'000	2-3 years HK\$'000	Over 3 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.03.2009 HK\$'000
2009								
Non-derivative financial liabilities								
Trade and other payables	270,527	14,885	-	-	-	-	285,412	285,412
Obligations under finance leases	853	1,169	926	655	106	-	3,709	3,589
Bank loans	416,147	-	-	-	-	-	416,147	412,989
Trust receipt loans	159,491	-	-	-	-	-	159,491	158,735
Discounted bills	527	-	-	-	-	-	527	526
Bank overdraft	1,906	-	-	-	-	-	1,906	1,844
	<u>849,451</u>	<u>16,054</u>	<u>926</u>	<u>655</u>	<u>106</u>	<u>-</u>	<u>867,192</u>	<u>863,095</u>

(h) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions as input.

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

34. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure certain bank and other borrowings of the Group (see note 25):

	As at 31 March		
	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Investment properties	210,619	166,877	79,204
Property, plant and equipment	79,324	238,871	168,585
Land use rights	43,786	47,831	59,684
Assets classified as held for sale	—	—	136,334
	<u>333,729</u>	<u>453,579</u>	<u>443,807</u>

In addition, the Group's obligations under finance leases (see note 26) are secured by the lessors' title to the leased assets with an aggregate carrying values of HK\$8,252,000, HK\$11,856,000 and HK\$3,136,000 as at 31 March 2007, 2008 and 2009, respectively.

At 31 March 2007, 2008 and 2009, the trade receivables of a designated customer approximately amounted to nil, HK\$13,950,000 and HK\$8,705,000 respectively have been pledged to a bank for certain facilities granted to the Group.

35. CAPITAL COMMITMENTS

	As at 31 March		
	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial information	9,884	5,928	521
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	1,069	—	48
	<u>10,953</u>	<u>5,928</u>	<u>569</u>

36. OPERATING LEASE COMMITMENTS

As lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 March		
	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within one year	10,910	11,337	4,132
In the second to fifth year inclusive	19,299	17,630	2,445
After five years	3,498	2,324	–
	<u>33,707</u>	<u>31,291</u>	<u>6,577</u>

Leases are negotiated for an average term of three years.

As lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of building premises and other assets falling due:

	As at 31 March		
	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within one year	2,916	1,402	66
In the second to fifth year inclusive	1,863	903	–
After five years	3,759	3,656	–
	<u>8,538</u>	<u>5,961</u>	<u>66</u>

Operating lease payments represent rental payable by the Group for certain building premises and machineries. Leases are negotiated for an average term of two years.

37. RELATED PARTY TRANSACTIONS

- (a) During the Relevant Periods, the Group entered into the following significant transactions with related parties in the ordinary course of business:

		2007	2008	2009
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental expense paid to Man Fat Enterprise Company Limited	<i>(i)</i>	225	–	–
Legal and professional fees paid to Andrew Lam & Co.	<i>(ii)</i>	305	–	–
Purchases from				
Sun Bright Investments Limited	<i>(iii)</i>	5,650	–	–
Sun Bright Industrial Paints Limited	<i>(iii)</i>	1,745	–	–
Rental income from				
Sun Bright Industrial Paints Limited	<i>(iii)</i>	148	–	–
Sub-contracting income from				
Wah Mei (Lui's) Industrial Limited ("Wah Mei")	<i>(iv)</i>	–	298	144
Sales to Wah Mei	<i>(iv)</i>	–	607	479
Sub-contracting fee paid to Wah Mei	<i>(iv)</i>	–	309	–
Purchase from Wah Mei	<i>(iv)</i>	–	2	–
Sales to Qingyuan Regent International Hotel	<i>(v)</i>	–	53	–
Hotel expenses and other expenses paid to Qingyuan Regent International Hotel	<i>(v)</i>	–	353	351
Brokerage and trading fee paid to Metro Capital Securities Limited	<i>(vi)</i>	–	25	–

Notes:

- (i) For the year ended 31 March 2007, the rental expense relates to lease of warehouse, car park and office space from Man Fat Enterprise Company Limited and Geming Company Limited, companies in which Dr. Lam Man Chan and Ms. Ting Lai Ling, directors of the Company, have beneficial interests.
- (ii) For the year ended 31 March 2007, the legal and professional fees were paid to Andrew Lam & Co., in which Mr. Lam Ping Cheung, Andrew, a non-executive director of the Company who resigned on 20 June 2006, had a beneficial interest.
- (iii) For the year ended 31 March 2007, the Group made purchase with and received rental income from an associate and a subsidiary of the associate, namely, Sun Bright Investments Limited and Sun Bright Industrial Paints Limited respectively.
- (iv) Wah Mei is a company controlled by the father-in-law and mother-in-law of Mr. Lam Shing Ngai, the director of the Company.

- (v) Qingyuan Regent International Hotel is indirectly controlled by a discretionary trust for Dr. Lam Man Chan (the Chairman and director of the Company). Ms. Ting Lai Ling and Mr. Lam Shing Ngai and other family members of Dr. Lam and Ms. Ting are the beneficiary objects of the discretionary trust. Four directors of the Company, namely, Dr. Lam Man Chan, Ms. Ting Lai Ling, Mr. Lam Shing Ngai and Mr. Yeung Cheuk Kwong are directors of the hotel.
- (vi) Metro Capital Securities Limited is a licensed corporation for type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance and is 50% indirectly interested by Dr. Lam Man Chan, the Chairman and director of the Company.

(b) Compensation of key management personnel

The remuneration of members of key management other than the directors of the Company are as follows:

	As at 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries and allowance	4,124	2,855	2,056
Contributions to retirement benefit scheme	17	24	9
Share-based payments	—	68	—
	<u>4,141</u>	<u>2,947</u>	<u>2,065</u>

The remuneration of the directors of the Company are disclosed in note 10.

38. CONTINGENT LIABILITIES

A subsidiary of the Company is the defendant in a lawsuit brought by a customer (the “claimant”) against defective products and related compensation losses. On 28 October 2008, an application was made to the Supreme Court of England and Wales claiming damages for defective goods and compensating for losses amounting to GBP1,089,000 (equivalent to HK\$12,088,000) and GBP13,126,000 (equivalent to HK\$145,699,000) respectively. On 10 November 2008, the judge read the written evidence and the witness statement on behalf of the claimant was received. As of 31 March 2009, the litigation actions against this subsidiary were still in progress.

Subsequent to the date the consolidated financial statements of the Group for the year ended 31 March 2009 were authorised for issue, the claimant entered into a settlement agreement with the subsidiary of the Company. Based on the agreement, the claimant has agreed to pay GBP200,000 (equivalent to HK\$2,284,000) to the subsidiary. Accordingly, the litigation has been settled upon entering into the agreement with the claimant. Up to the date of this report, the amount has been settled.

B. SUBSEQUENT EVENTS

As stated in the Company's announcement dated 13 July 2009, 12 wholly-owned subsidiaries of the Company, as chargor, each executed a debenture in favour of the security trustee for the banks. Each debenture constitutes a fixed and floating charge over all the assets of the relevant chargor, and is granted as a continuing security for the payment and discharge in full of the secured obligations.

The Company and its subsidiaries also executed on the same day the deed of undertaking under which each of them have irrevocably given the banks certain undertakings in relation to, among other things, the creation of the scheme security and certain aspects of the conduct of business.

In addition, the Company received the Standstill Letter from The Hongkong and Shanghai Banking Corporation Limited and Hang Seng Bank, Limited, acting as joint coordinating banks of the HK Banks, stating that the HK Banks have agreed not to make demand or take any action to enforce the payment of monies under any of the Existing Facilities in order to facilitate the discussions of the restructuring of the Existing Facilities.

The Standstill Letter is however without prejudice to any HK Banks' rights to withdraw at any time from discussions with the Group on any restructuring and upon such withdrawal, any HK Bank is entitled to make demand and enforce any of its rights under the Existing Facilities and any HK Bank can request the Security Trustee to enforce the debentures.

Subsequent to the date the consolidated financial statements of the Group for the year ended 31 March 2009 were authorised for issue, another 2 wholly-owned subsidiaries of the Company each executed a debenture in favour of the security trustee for the banks and a charge over shares in its own subsidiary.

- (i) Included below are the results of the Scheme Subsidiaries incorporated into the Group's consolidated income statements for the Relevant Periods:

	Year ended 31 March		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Continuing operations			
Turnover	3,491,608	2,503,863	1,537,614
Cost of sales and direct expenses	<u>(3,358,054)</u>	<u>(2,375,777)</u>	<u>(1,669,069)</u>
Gross profit (loss)	133,554	128,086	(131,455)
Other operating income (expenses)	3,992	(44,120)	(36,725)
Selling and distribution expenses	(23,256)	(29,870)	(36,668)
Administrative expenses	(93,855)	(80,109)	(126,866)
Other income	6,370	5,525	1,632
Impairment loss on property, plant and equipment	–	(5,245)	(403,847)
Impairment loss on intangible assets	–	–	(16,471)
Net gain (loss) on investment properties	57,519	(78,063)	(20,804)
Finance costs	(36,525)	(42,737)	(36,076)
Share of results of an associate	<u>574</u>	<u>–</u>	<u>–</u>
Profit (loss) before taxation	48,373	(146,533)	(807,280)
Taxation	<u>(21,817)</u>	<u>20,328</u>	<u>15,938</u>
Profit (loss) for the year from continuing operations	26,556	(126,205)	(791,342)
Discontinued operation			
Loss for the year from discontinued operation	<u>(8,266)</u>	<u>(5,563)</u>	<u>(111,390)</u>
Profit (loss) for the year	<u><u>18,290</u></u>	<u><u>(131,768)</u></u>	<u><u>(902,732)</u></u>

- (ii) Included below are the assets and liabilities of the Scheme Subsidiaries incorporated into the Group's consolidated balance sheets as at 31 March 2007, 2008 and 2009:

	Year ended 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Investment properties	467,000	391,181	203,182
Property, plant and equipment	881,569	842,579	287,542
Land use rights – non-current portion	68,458	70,132	66,582
Interest in an associate	1,641	–	–
Intangible assets	33,742	38,089	–
Deposits for acquisition of property, plant and equipment and land use rights	14,774	13,332	766
	<u>1,467,184</u>	<u>1,355,313</u>	<u>558,072</u>
Current assets			
Land use rights – current portion	1,578	1,653	601
Inventories	442,642	452,554	130,619
Trade and other receivables and prepayments	170,772	184,304	68,927
Taxation recoverable	47,494	47,494	47,494
Bank balances and cash	156,473	150,559	31,074
Amount due from a retained subsidiary	–	–	1,645
	<u>818,959</u>	<u>836,564</u>	<u>280,360</u>
Assets classified as held for sale	–	–	230,000
	<u>818,959</u>	<u>836,564</u>	<u>510,360</u>

	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Current liabilities			
Amounts due to retained group	610,744	654,024	666,789
Trade and other payables	377,650	298,946	259,722
Taxation payable	75,395	76,997	84,164
Bank and other borrowings			
– due within one year	396,298	515,956	526,796
Obligations under finance leases			
– due within one year	2,583	4,051	2,804
Provision	–	–	15,175
Bank overdraft	–	–	1,844
	<u>1,462,670</u>	<u>1,549,974</u>	<u>1,557,294</u>
Liabilities associated with assets classified as held for sale	<u>–</u>	<u>–</u>	<u>108,454</u>
	<u>1,462,670</u>	<u>1,549,974</u>	<u>1,665,748</u>
Net current liabilities	<u>(643,711)</u>	<u>(713,410)</u>	<u>(1,155,388)</u>
Total assets less current liabilities	<u>823,473</u>	<u>641,903</u>	<u>(597,316)</u>
Non-current liabilities			
Bank and other borrowings			
– due after one year	281,146	304,370	–
Obligations under finance leases			
– due after one year	4,130	3,569	687
Deferred taxation	<u>72,524</u>	<u>50,059</u>	<u>26,956</u>
	<u>357,800</u>	<u>357,998</u>	<u>27,643</u>
Net assets (liabilities)	<u><u>465,673</u></u>	<u><u>283,905</u></u>	<u><u>(624,959)</u></u>

- (iii) Included below are the cash flows of the Scheme Subsidiaries incorporated into the Group's consolidated cash flow statements for the Relevant Periods:

	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
OPERATING ACTIVITIES			
Profit/(loss) before taxation	40,642	(152,631)	(918,670)
Adjustments for:			
Interest income	(5,071)	(4,462)	(956)
Interest expenses	36,951	44,992	37,634
Finance lease charges	178	479	607
Share of results of associates	(574)	–	–
Impairment loss of property, plant and equipment	–	5,245	419,448
Net (gain) loss on investment properties	(57,519)	78,063	20,804
Impairment loss on intangible assets	–	–	32,884
(Gain) loss on disposal of an associate	(960)	359	–
Loss on disposal of property, plant and equipment	748	4,843	25,964
Amortisation of land use rights	1,452	1,653	1,676
Amortisation of intangible assets	18,678	23,109	16,656
Impairment loss on inventories	–	16,000	97,369
Exchange difference	–	39,957	8,517
Gain on disposal of available-for-sale financial assets	(2,741)	(393)	–
Depreciation of property, plant and equipment	78,427	75,588	64,952
Impairment loss on trade receivables	–	255	26,314
Impairment loss on deposit for acquisition of land use rights	–	–	9,563
Operating cash flows before movements in working capital	110,211	133,057	(157,238)
Decrease (increase) in inventories	2,825	(25,912)	224,566
(Increase) decrease in trade and other receivables and prepayments	(4,227)	(13,787)	89,063
Increase (decrease) in trade and other payables	19,962	(93,231)	(39,224)
Increase in provision	–	–	15,175
Cash generated from operations	128,771	127	132,342
Interest received	3,878	4,462	956
Tax paid	(1,532)	–	–
Tax refunded	409	–	–
NET CASH FROM OPERATING ACTIVITIES	131,526	4,589	133,298

	Year ended 31 March		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(86,184)	(43,255)	(22,242)
Deposits received in respect of assets classified as held for sale	–	–	63,000
Acquisition of additional interest of a subsidiary	–	–	(3,000)
Additions to investment properties	(6,677)	(862)	(2,873)
Additions to land use rights	(22,051)	(3,402)	–
Deposits paid for acquisition of property, plant and equipment and land use rights	(14,774)	(2,126)	–
Proceeds from disposal of property, plant and equipment	2,730	3,557	13,308
Additions of available-for-sale financial assets	–	(23,563)	–
Net proceeds from disposal of available-for-sale financial assets	15,893	23,956	–
Proceeds from disposal of an associate	20,000	210	–
Additions to intangible assets	(24,753)	(27,456)	(11,451)
Redemption of long-term bank deposit	23,400	–	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(92,416)	(72,941)	36,742
FINANCING ACTIVITIES			
Dividend paid	(10,000)	(50,000)	–
Repayments of bank and other borrowings	(538,141)	(271,453)	(323,276)
Repayments of obligations under finance leases	(2,259)	(3,895)	(4,129)
Interest paid	(37,900)	(44,992)	(37,634)
Finance lease charges paid	(178)	(479)	(607)
New bank and other borrowings raised (Repayments to)/advances from retained group	513,643	389,977	66,683
	(3,388)	43,280	7,594
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(78,223)	62,438	(291,369)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(39,113)	(5,914)	(121,329)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	195,586	156,473	150,559
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	156,473	150,559	29,230
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS represented by:			
Bank balances and cash	156,473	150,559	31,074
Bank overdraft	–	–	(1,844)
	156,473	150,559	29,230

C. SUBSEQUENT FINANCIAL STATEMENTS

We have not audited any financial statements of the Group in respect of any period subsequent to 31 March 2009.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong”

2. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

The following information has been extracted from the interim report of the Company for the six months ended 30 September 2009:

“CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended 30 September	
		2009 <i>HK\$'000</i> (Unaudited)	2008 <i>HK\$'000</i> (Unaudited) (Restated)
<i>Continuing operations</i>			
Turnover	3	462,843	1,102,109
Cost of sales		<u>(438,433)</u>	<u>(1,050,788)</u>
Gross profit		24,410	51,321
Other operating expenses, net		(1,178)	(19,343)
Other income		2,803	781
Selling and distribution expenses		(8,984)	(11,049)
Administrative expenses		(29,984)	(52,225)
Impairment loss on property, plant and equipment		(8,774)	–
Decrease in fair value of investment properties		(24,010)	(424)
Decrease in fair value of assets classified as held for sale		<u>(15,909)</u>	<u>–</u>
Loss from operations		(61,626)	(30,939)
Finance costs		<u>(12,810)</u>	<u>(19,153)</u>
Loss before taxation	4	(74,436)	(50,092)
Taxation (charge) credit	5	<u>(2,140)</u>	<u>3,256</u>
Loss for the period from continuing operations		(76,576)	(46,836)
<i>Discontinued operation</i>			
Gain (loss) for the period from discontinued operation	6	<u>21,009</u>	<u>(28,076)</u>
Loss for the period		<u>(55,567)</u>	<u>(74,912)</u>
Other comprehensive income			
Gain on revaluation of properties		–	10,783
Income tax relating to components of other comprehensive income		<u>–</u>	<u>(2,588)</u>
Other comprehensive income for the period (net of tax)		<u>–</u>	<u>8,195</u>
Total comprehensive loss for the period		<u><u>(55,567)</u></u>	<u><u>(66,717)</u></u>

		Six months ended	
		30 September	
	<i>Notes</i>	2009	2008
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited) (Restated)
Loss for the period attributable to:			
Owners of the Company		(55,567)	(74,912)
Non-controlling interests		—	—
		<u>(55,567)</u>	<u>(74,912)</u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		(55,567)	(66,717)
Non-controlling interests		—	—
		<u>(55,567)</u>	<u>(66,717)</u>
 <i>Loss per share (in HK Cents)</i>			
	8		
From continuing and discontinued operations			
– Basic		(7.01)	(9.45)
– Diluted		n/a	n/a
From continuing operations			
– Basic		(9.66)	(5.91)
– Diluted		n/a	n/a
From discontinued operation			
– Basic		2.65	(3.54)
– Diluted		n/a	n/a

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 September 2009 HK\$'000 (Unaudited)	As at 31 March 2009 HK\$'000 (Audited)
Non-current assets			
Investment properties		179,318	203,182
Property, plant and equipment		268,034	287,862
Land use rights – non-current portion		64,990	66,582
Deposits for acquisition of property, plant and equipment		122	766
		<u>512,464</u>	<u>558,392</u>
Current assets			
Land use rights – current portion		1,521	601
Inventories		157,433	130,619
Trade and other receivables and prepayments	9	78,884	70,790
Taxation recoverable		47,539	47,494
Bank balances and cash		17,419	33,192
		<u>302,796</u>	<u>282,696</u>
Assets classified as held for sale	10	214,091	230,000
		<u>516,887</u>	<u>512,696</u>
Current liabilities			
Trade and other payables	11	304,834	285,412
Taxation payable		86,349	84,209
Bank and other borrowings – due within one year		508,511	526,796
Obligations under finance leases – due within one year		1,185	2,835
Provision		17,844	15,175
Bank overdrafts		11,951	1,844
		<u>930,674</u>	<u>916,271</u>
Liabilities associated with assets classified as held for sale	10	108,211	108,454
		<u>1,038,885</u>	<u>1,024,725</u>
Net current liabilities		<u>(521,998)</u>	<u>(512,029)</u>
Total assets less current liabilities		<u>(9,534)</u>	<u>46,363</u>
Non-current liabilities			
Obligations under finance leases – due after one year		424	754
Deferred taxation		26,956	26,956
		<u>27,380</u>	<u>27,710</u>
Net (liabilities) assets		<u>(36,914)</u>	<u>18,653</u>
Capital and reserves			
Share capital		79,302	79,302
Reserves		(117,236)	(61,669)
Equity attributable to owners of the Company		<u>(37,934)</u>	<u>17,633</u>
Non-controlling interests		<u>1,020</u>	<u>1,020</u>
Total (deficit) equity		<u>(36,914)</u>	<u>18,653</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Properties revaluation reserve <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Accumulated profits (losses) <i>HK\$'000</i>	Attributable to owners of the Company <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total (deficit) equity <i>HK\$'000</i>
At 1 April 2008 (Audited)	79,302	82,844	17,460	1,583	752,772	933,961	4,020	937,981
Total comprehensive loss for the period	-	-	8,195	-	(74,912)	(66,717)	-	(66,717)
At 30 September 2008 (Unaudited)	79,302	82,844	25,655	1,583	677,860	867,244	4,020	871,264
At 1 April 2009 (Audited)	79,302	82,844	17,460	1,583	(163,556)	17,633	1,020	18,653
Total comprehensive loss for the period	-	-	-	-	(55,567)	(55,567)	-	(55,567)
At 30 September 2009 (Unaudited)	<u>79,302</u>	<u>82,844</u>	<u>17,460</u>	<u>1,583</u>	<u>(219,123)</u>	<u>(37,934)</u>	<u>1,020</u>	<u>(36,914)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash generated from (used in) operating activities	<u>8,610</u>	<u>(48,717)</u>
Deposits received from assets classified as held for sales	–	63,000
Other investing cash flows	<u>(1,172)</u>	<u>(17,792)</u>
Net cash (used in) from investing activities	<u>(1,172)</u>	<u>45,208</u>
Net cash (used in) from financing activities	<u>(33,318)</u>	<u>559</u>
Net decrease in cash and cash equivalents	(25,880)	(2,950)
Cash and cash equivalents at 1 April	<u>31,348</u>	<u>159,463</u>
Cash and cash equivalents at 30 September	<u><u>5,468</u></u>	<u><u>156,513</u></u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	17,419	156,513
Bank overdrafts	<u>(11,951)</u>	–
	<u><u>5,468</u></u>	<u><u>156,513</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**1. BASIS OF PREPARATION**

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (the “HKAS”) No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Group reported a consolidated loss attributable to owners of the Company of approximately HK\$56 million for the six months ended 30 September 2009 (For the six months ended 30 September 2008: HK\$75 million) and as at 30 September 2009 the Group had net current liabilities of approximately HK\$522 million (As at 31 March 2009: HK\$512 million).

During the year ended 31 March 2009, the Group had breached certain terms and defaulted on the repayment of certain banking facilities. To address these issues, the Group had been in discussion and negotiation with the banks to explore the possibility of seeking a forbearance of the Group’s bank borrowings and with potential investors to explore the possibility of injecting new funds into the Group through a proposed restructuring scheme.

On 24 February 2009, the Directors of the Company and the board of directors of Success Pioneer Limited (the “Subscriber”) jointly announced a restructuring proposal in relation to the financial restructuring of the Group which involves, among other things, a proposed capital reorganisation (the “Capital Reorganisation”), a proposed group reorganisation (the “Group Reorganisation”), proposed creditor scheme (the “Scheme”) and a proposed subscription of new shares (the “Subscription”) (all together referred to as the “Restructuring Proposal”). Details of the Restructuring Proposal have been set out in the Company’s circular dated 30 September 2009 (the “Circular”).

On 13 July 2009, twelve wholly-owned subsidiaries of the Company, as chargor, each executed a debenture (the “Debenture”) in favor of the security trustee for the Group’s lending banks in Hong Kong (“HK Banks”). Each Debenture constitutes a fixed and floating charge over all the assets of the relevant chargor, and is granted as a continuing security for the payment and discharge in full of the secured obligations. The Company and its subsidiaries also executed on the same day the deed of undertaking (the “Deed of Undertaking”) under which each of them have irrevocably given the HK Banks certain undertakings in relation to, among other things, the creation of the scheme security and certain aspects of the conduct of business of the relevant members of the Group.

In addition, the Company received on the same date the standstill letter (the “Standstill Letter”) from the joint coordinating banks of the HK Banks, stating that the HK Banks have agreed not to make demand or take any action to enforce the payment of monies under any of their existing banking facilities in order to facilitate the discussions of the restructuring of the existing facilities. The Standstill Letter is however without prejudice to any HK Banks’ rights to withdraw at any time from discussions with the Group on any restructuring and upon such withdrawal, any HK Bank is entitled to make demand and enforce any of its rights under the existing facilities and any HK Bank can request the security trustee to enforce the Debentures.

On 21 July 2009, another two wholly-owned subsidiaries of the Company each executed a debenture in favor of the security trustee for the HK Banks and a charge over shares in its own subsidiary. In addition, on 16 September 2009, another two wholly-owned subsidiaries of the Company each executed a debenture in favour of the security trustee for the HK Banks. Furthermore, on 17 September 2009, a wholly-owned subsidiary of the Company executed a charge over shares in its fifteen subsidiaries.

Subsequent to 30 September 2009, approval of the Company's shareholders on the Capital Reorganisation, the Group Reorganisation, the Subscription Agreement and the Profit Sharing Arrangement included in the terms of the Restructuring Proposal stipulated in the Circular has been obtained at the special general meeting of the Company held on 27 October 2009. Moreover, approval of the Company's creditors on the Scheme (the "Scheme Creditors") has been obtained at the Scheme Creditors' Meeting held on 3 December 2009.

The Scheme was sanctioned by the Supreme Court of Bermuda and the High Court of Hong Kong on 18 December 2009 and 21 December 2009 respectively.

Up to the date of issue of the interim report, completion of the Restructuring Proposal is subject to the following conditions precedent being fulfilled, including (i) payment of the aggregate subscription price by the Subscriber pursuant to the Subscription Agreement dated 9 February 2009 entered into between the Company and the Subscriber, as amended, varied, supplemented from time to time; and (ii) completion of the Group Reorganisation.

As at 30 September 2009, bank borrowings of HK\$45 million and HK\$178 million from Dongguan branch and Qingyuan branch of a bank in the Mainland China, of which the Group has obtained an extension and a further extension to repay the outstanding overdue loan balance of HK\$45 million from the Dongguan branch to early September 2009 and January 2010 respectively and the Group is currently negotiating with the Qingyuan branch for extension to repay the outstanding loan balances.

The unaudited condensed consolidated financial statements have been prepared on a going concern basis as the directors of the Company are of the view that it is highly probable that the Restructuring Proposal will be successfully implemented.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2009.

The accounting policies adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2009, except for the adoption for the first time of the following new and revised Hong Kong Financial Reporting Standards ("HKFRS") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) and amendments to HKFRSs issued by the HKICPA, which are effective for the Group's accounting periods beginning on 1 April 2009:

HKFRSs (Amendments)	Improvements to HKFRSs, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 32 and 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 And HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers

The adoption of the new HKFRSs, except for HKFRS 8 and HKAS 1 (Revised) as described below, had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 “Segment Reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segment. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 24 (Revised)	Related party disclosures ³
HKAS 27 (Revised)	Consolidated and separate financial statements ¹
HKAS 32 (Amendment)	Classification of rights issues ⁴
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ⁵
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions ⁵
HKFRS 3 (Revised)	Business combinations ¹
HKFRS 9	Financial instruments ⁶
HK(IFRIC) – INT 14 (Amendment)	The limit on a defined benefit asset, minimum funding requirements and their interaction ³
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners ¹
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments ⁷

¹ Effective for accounting periods beginning on or after 1 July 2009

² Amendments that are effective for accounting periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

³ Effective for accounting periods beginning on or after 1 January 2011

⁴ Effective for accounting periods beginning on or after 1 February 2010

⁵ Effective for accounting periods beginning on or after 1 January 2010

⁶ Effective for accounting periods beginning on or after 1 January 2013

⁷ Effective for accounting periods beginning on or after 1 July 2010

The directors of the Company are in the process of assessing the potential impact and anticipate that the application of these new and revised standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

HKFRS 8 “Operating segments” requires the disclosure of information about the Group’s operating segments. The adoption of this standard did not have any effect on the Group’s results of operations or financial position. The Group determines that its operating segments are the same as the business segments previously identified and disclosed in accordance with HKAS 14 “Segment reporting”.

The following is an analysis of the Group’s revenue and results by operating segment: –

For the six months ended 30 September 2009 (Unaudited)

	Continuing Operations			Discontinued Operation		
	EMS business HK\$'000	Property investment HK\$'000	Elimination HK\$'000	Total HK\$'000	Mobile division HK\$'000	Consolidated HK\$'000
Reportable segment revenue						
– External	458,370	4,473	–	462,843	–	462,843
– Internal	–	140	(140)	–	–	–
	<u>458,370</u>	<u>4,613</u>	<u>(140)</u>	<u>462,843</u>	<u>–</u>	<u>462,843</u>
Reportable segment (loss) gain	<u>(6,465)</u>	<u>(43,865)</u>		(50,330)	21,009	(29,321)
Interest income				2,527	–	2,527
Other rental income				276	–	276
Finance costs				(12,810)	–	(12,810)
Unallocated costs				(14,099)	–	(14,099)
Loss before taxation				(74,436)	21,009	(53,427)
Taxation charge				(2,140)	–	(2,140)
Loss for the period				<u>(76,576)</u>	<u>21,009</u>	<u>(55,567)</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

For the six months ended 30 September 2008 (Unaudited and restated)

	Continuing Operations			Discontinued Operation		
	EMS business	Property investment	Elimination	Total	Mobile division	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue	<u>1,094,618</u>	<u>7,491</u>	<u>-</u>	<u>1,102,109</u>	<u>249,290</u>	<u>1,351,399</u>
Reportable segment loss	<u>(22,220)</u>	<u>5,118</u>		(17,102)	(26,873)	(43,975)
Interest income				463	51	514
Other rental income				318	10	328
Finance costs				(19,153)	(1,264)	(20,417)
Unallocated costs				<u>(14,618)</u>	<u>-</u>	<u>(14,618)</u>
Loss before taxation				(50,092)	(28,076)	(78,168)
Taxation credit				<u>3,256</u>	<u>-</u>	<u>3,256</u>
Loss for the period				<u>(46,836)</u>	<u>(28,076)</u>	<u>(74,912)</u>

4. LOSS BEFORE TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging (crediting):						
Depreciation of property, plant and equipment	9,287	31,925	–	1,117	9,287	33,042
Amortisation of land use rights	672	757	–	–	672	757
Amortisation of intangible assets	–	7,762	–	3,720	–	11,482
Loss on disposal of property, plant and equipment	3,438	11,202	–	–	3,438	11,202
Impairment loss on property, plant and equipment	8,774	–	–	–	8,774	–
Impairment loss on trade and other receivables	3,112	9,300	–	148	3,112	9,448
Interest income	(2,527)	(463)	–	(51)	(2,527)	(514)
Exchange (gains) losses, net	(615)	9,921	–	484	(615)	10,405

5. TAXATION (CHARGE) CREDIT

	Six months ended	
	30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The taxation (charge) credit in continuing operations comprises:		
Current taxation		
Hong Kong		
– overprovision in prior years	3,860	–
People's Republic of China ("PRC") Enterprise Income Tax		
– underprovision in prior years	(6,000)	–
	<u>(2,140)</u>	<u>–</u>
Deferred taxation credit		
Current period	–	396
Attributable to change in tax rate	–	2,860
	<u>–</u>	<u>2,860</u>
Taxation (charge) credit for the period	<u>(2,140)</u>	<u>3,256</u>

Notes

- (a) No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements for the six months ended 30 September 2009 and 2008 as the companies operating in Hong Kong has no estimated assessable profits for both periods.
- (b) Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.
- (c) The Group appealed to the Board of Review against determination made by the Inland Revenue Department (the "IRD") that some profits of certain subsidiaries ("Subsidiaries") for the years of assessment 1991/92 to 1995/96 should be Hong Kong sourced and subject to 50% of Hong Kong Profits Tax (the "Tax Appeal"). The Board of Review delivered its decision (the "Board's Decision") of the Tax Appeal whereby it dismissed the appeal of one of the subsidiaries (the "Said Subsidiary") but allowed the appeals of all other subsidiaries. The Said Subsidiary has appealed to the Court of First Instance of High Court and the Court of Appeal of High Court, against the Board's Decision and both of the appeals were dismissed in December 2007 and October 2008, respectively. The Said Subsidiary has further lodged an appeal (the "Final Appeal") to the Court of Final Appeal (the "CFA") and the Final Appeal hearing was held on 8 July 2009 but the CFA has reserved its judgment of the appeal at that date.
- (d) In addition, for the years of assessment of 1996/97 to 2004/05, the IRD issued notices of assessment to the Group regarding the taxability of profits of the Subsidiaries. The Group had already lodged objections against these assessments ("Objections").
- (e) Currently, amounts of HK\$8,991,000 (31 March 2009: HK\$8,991,000) and HK\$38,503,000 (31 March 2009: HK\$38,503,000) have been paid to the IRD in relation to the Tax Appeal and the Objections as noted in (c) and (d) respectively and these amounts have been included in the taxation recoverable.

- (f) The Commissioner of Inland Revenue has issued a writ in the District Court (the “Said Proceedings”) against the Said Subsidiary to recover a sum of around HK\$33,222,000 allegedly being the tax due and payable by the Said Subsidiary for the years of assessment 2000/2001 to 2003/2004. A hearing took place at the District Court and a judgment was delivered against the Said Subsidiary (the “Said Judgment”). The Said Subsidiary has lodged an application for, inter alia, setting aside and stay of execution of the Said Judgment in District Court. The application was declined in December 2008. The Said Subsidiary is in the course of seeking leave to appeal to the Court of Appeal of High Court. The hearing is fixed in February 2010.
- (g) In respect of the Tax Appeal and the Objections as described in (c) and (d) respectively, the Group has made provisions of HK\$8,921,000 (31 March 2009: HK\$12,781,000) for the Tax Appeal and HK\$68,030,000 (31 March 2009: HK\$68,030,000) for the Objections in respect of the potential tax liabilities in its consolidated statement of financial position as at 30 September 2009 in accordance with the IRD’s assessments. The directors of the Company considered that there was no material underprovision of tax liabilities as at 30 September 2009.
- (h) On 24 July 2009, the CFA concluded that the additional assessments raised by the IRD for the years of assessment 1991/92 to 1995/96 were not validly made by the IRD. However, the CFA held that the IRD can raise additional assessments for the years of assessment 1993/94 to 1995/96 on a different basis. Up to the date of this report, the IRD had not yet issued any new additional assessments. Prior to the new additional assessments being raised by the IRD for the years of assessment 1993/94 to 1995/96, the directors of the Company believe that a reliable estimate of the amount of new additional assessment cannot be made and hence it is not possible to determine presently the amount of the provision recognised as at 30 September 2009 of HK\$8,921,000 that should be reversed or the amount of additional provision that may be required.
- (i) Pursuant to the judgment of the CFA issued on 24 July 2009, the IRD have revised the additional assessments for the years of assessment 1991/92 and 1992/93 of the Said Subsidiary concluding that there are no additional amount of tax payable for the said two years of assessment. Accordingly, the IRD have refunded the Tax Reserve Certificates purchased for the said two years of assessment (being the tax previously held over conditionally) to the Said Subsidiary. The total amount of Tax Reserve Certificates of HK\$3,860,000 together with interests of HK\$2,516,000 were redeemed by the Said Subsidiary in October 2009.

6. DISCONTINUED OPERATION

Weetec Limited (“Weetec” and formerly known as Ngai Lik Mobile Electronics Limited) was engaged in the manufacture and trading of mobile electronics products.

On 27 March 2009, it was resolved by the sole director of Weetec that Weetec cannot by reason of its liabilities continue its business. Accordingly, Weetec ceased its business trading and production. Special resolutions were passed by the shareholder of Weetec at the extraordinary general meeting held on 24 April 2009 to wind up Weetec voluntarily and appoint Mr. Kong Chi How, Johnson of BDO Financial Services Limited as liquidator for the purpose of the winding-up affairs. On the same day, a meeting of the creditors of Weetec was also held subsequently whereby the appointed liquidator was confirmed by the creditors of Weetec.

An analysis of the results of the discontinued operation included in the consolidated statement of comprehensive income is as follows:–

The gain (loss) for the period from the discontinued operation is analysed as follow:

	Six months ended	
	30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss of Weeateck for the period	–	(28,076)
Gain on disposal of Weeateck	21,009	–
	<u>21,009</u>	<u>–</u>
	<u><u>21,009</u></u>	<u><u>(28,076)</u></u>

Loss of Weeateck for the period

	Six months ended	
	30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Turnover	–	249,290
Cost of sales	–	(248,539)
	<u>–</u>	<u>(248,539)</u>
Gross profit	–	751
Other operating expenses	–	(319)
Other income	–	61
Selling and distribution expenses	–	(1,845)
Administrative expenses	–	(9,047)
Impairment loss on intangible assets	–	(16,413)
Finance costs	–	(1,264)
	<u>–</u>	<u>(1,264)</u>
Loss before taxation	–	(28,076)
Taxation	–	–
	<u>–</u>	<u>–</u>
Loss for the period	<u><u>–</u></u>	<u><u>(28,076)</u></u>

The net liabilities of the Weeateck at the date of commencement of liquidation were as follows:

	<i>HK\$'000</i>
	(Unaudited)
Net liabilities disposed of	(21,009)
Gain on disposal	21,009
	<u>–</u>
	<u><u>–</u></u>

7. DIVIDEND

No dividend was proposed for the six months ended 30 September 2009 and 2008.

8. LOSS PER SHARE

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

From continuing and discontinued operations

	Six months ended	
	30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net loss for the period attributable to owners of the Company and loss for the purposes of basic loss per share	<u>(55,567)</u>	<u>(74,912)</u>
From continuing operations		
Net loss for the period attributable to owners of the Company	(55,567)	(74,912)
Less: gain (loss) for the period from discontinued operation	<u>21,009</u>	<u>(28,076)</u>
Loss for the purpose of basic loss per share	<u>(76,576)</u>	<u>(46,836)</u>
From discontinued operation		
Gain (loss) for the period from discontinued operation and gain (loss) for the purpose of earnings (loss) per share	<u>21,009</u>	<u>(28,076)</u>
	<i>Number of</i>	<i>Number of</i>
	<i>Shares</i>	<i>Shares</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>793,016,684</u>	<u>793,016,684</u>

The computation of diluted loss per share for 2009 and 2008 does not assume the exercise of the Company's outstanding share options since the exercise price was higher than the average market price of the Company's share and their exercise would result in a decrease in loss per share.

The share options were lapsed on 30 June 2009.

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 September 2009	As at 31 March 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivable (net of allowance for doubtful debts)	71,097	53,943
Other receivables and prepayments	7,787	16,847
	<u>78,884</u>	<u>70,790</u>

Customers are generally granted credit terms of letter of credit at sight or open accounts from 7 days to 30 days. Longer credit periods are granted to several customers which have long business relationship with the Group and strong financial position.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) at the reporting date:–

	As at 30 September 2009	As at 31 March 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Current – 30 days	70,139	50,736
31 – 60 days	949	218
61 – 90 days	5	741
Over 90 days	4	2,248
	<u>71,097</u>	<u>53,943</u>

10. ASSETS CLASSIFIED AS HELD FOR SALE

On 4 July 2008, a subsidiary of the Company entered into a sale and purchase agreement (the “Agreement”) with an independent party (the “Buyer”) to dispose of one of the Group’s factory premises located in Dongguan, the PRC (the “Disposal”) at a consideration of HK\$230,000,000. The Buyer has paid deposits amounting to HK\$63,000,000 up to 30 September 2009. The directors of the Company are of the view that the completion of the disposal has been delayed by events beyond the Group’s control and the Group is currently negotiating with the Buyer for further payments and completion of the Disposal.

The major classes of assets and liabilities classified as assets held for sale are as follows:

	As at 30 September 2009 <i>HK\$'000</i> (Unaudited)	As at 31 March 2009 <i>HK\$'000</i> (Audited)
Assets		
Land use right	2,926	2,926
Property, plant and equipment	54,574	54,574
Investment properties	156,591	172,500
	<u>214,091</u>	<u>230,000</u>
Liabilities		
Deposits received	63,000	63,000
Bank and other borrowings	45,211	45,454
	<u>108,211</u>	<u>108,454</u>
Liabilities associated with assets classified as held for sale	<u>108,211</u>	<u>108,454</u>

11. TRADE AND OTHER PAYABLES

	As at 30 September 2009 <i>HK\$'000</i> (Unaudited)	As at 31 March 2009 <i>HK\$'000</i> (Audited)
Trade payables	89,423	86,288
Bills payable	–	4,168
	<u>89,423</u>	<u>90,456</u>
Other payables	215,411	194,956
	<u>304,834</u>	<u>285,412</u>

The following is an aged analysis of trade and bills payables at the reporting date:

	As at 30 September 2009 <i>HK\$'000</i> (Unaudited)	As at 31 March 2009 <i>HK\$'000</i> (Audited)
Current – 30 days	85,223	53,615
31 – 60 days	2,406	5,269
61 – 90 days	913	3,133
Over 90 days	881	28,439
	<u>89,423</u>	<u>90,456</u>

12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$4 million on the property, plant and machinery in order to upgrade its manufacturing capabilities.

13. CAPITAL COMMITMENTS

	As at 30 September 2009	As at 31 March 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	269	521
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	<u>4</u>	<u>48</u>
	<u><u>273</u></u>	<u><u>569</u></u>

14. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following significant transactions with related parties in the ordinary course of business:

		Six months ended 30 September	
		2009	2008
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Sub-contracting income from			
Wah Mei (Lui's) Industrial Limited ("Wah Mei")	<i>a</i>	99	69
Sales to Wah Mei	<i>a</i>	74	397
Hotel expenses and other expenses paid to			
Qingyuan Regent International Hotel	<i>b</i>	127	148
Remuneration paid to directors and other members of key management	–	<u>4,428</u>	<u>4,695</u>

Notes

- a. Wah Mei is a company controlled by the father-in-law and mother-in-law of Mr. Lam Shing Ngai, a director of the Company.
- b. Qingyuan Regent International Hotel is indirectly controlled by a discretionary trust for Dr. Lam Man Chan (the Chairman and director of the Company). Ms. Ting Lai Ling and Mr. Lam Shing Ngai and other family members of Dr. Lam and Ms. Ting are beneficiary objects of the discretionary trust. Four directors of the Company, namely, Dr. Lam Man Chan, Ms. Ting Lai Ling, Mr. Lam Shing Ngai and Mr. Yeung Cheuk Kwong are directors of the hotel.

In the opinion of the directors, the above transactions were carried out on normal commercial terms and in the ordinary course of business. The independent non-executive directors have reviewed the above connected transactions and are of the opinion that the transactions are in the ordinary and usual course of business of the Group and in accordance with the terms of the arrangements governing such transactions that are fair and reasonable and in the interest of the owners of the Company as a whole.

15. LITIGATION SETTLEMENTS

A subsidiary of the Company is the defendant in a lawsuit brought by a customer (“the Claimant”) against defective products and related compensation losses. On 28 October 2008, an application was made to the Supreme Court of England and Wales claiming damages for defective goods and compensating for losses amounting to GBP1,089,000 (equivalent to HK\$12,088,000) and GBP13,126,000 (equivalent to HK\$145,699,000) respectively.

During the period, the Claimant entered into a settlement agreement with the subsidiary of the Company. Based on the agreement, the Claimant has agreed to pay GBP200,000 (equivalent to HK\$2,284,000) to the subsidiary of the Company. Accordingly, the litigation has been settled upon entering into the agreement with the Claimant.

16. EVENTS AFTER THE END OF THE REPORTING PERIOD

Pursuant to the Circular dated 30 September 2009 issued by the Company with regards to, among other things, the Restructuring Proposal involving the Capital Reorganisation, the Group Reorganisation, the Scheme, the Subscription and the Whitewash Waiver, a special general meeting was held on 27 October 2009 and all resolutions, except the Whitewash Waiver, were duly passed by the shareholders.

Pursuant to the scheme of arrangement (the “Scheme”) dated 29 October 2009 issued by the Company to the creditors, a meeting of the Company’s creditors was held on 3 December 2009 and the Scheme was duly approved by the Scheme Creditors. The Scheme was then sanctioned by the Supreme Court of Bermuda and the High Court of Hong Kong on 18 December 2009 and 21 December 2009 respectively.

Pursuant to the Scheme, 54 subsidiaries of the Company will be transferred to the Scheme Administrators Vehicle controlled by the Administrators for realisation for the benefits of the Scheme Creditors. If the Scheme is effective upon the completion of the Restructuring Proposal, the 54 subsidiaries will be deconsolidated subsequently. Details of the Scheme have been set out in the Company’s circular dated 30 September 2009. The above transfer is probably to be made in January 2010.

The 54 subsidiaries mainly comprise the property investment segment, segment details of which have been set out in Note 3 and the manufacturing facilities (including a majority of the plant and machinery) together with certain non-core assets under the EMS business segment which represent a part of its operations and assets and it is not practical to stand it alone as a complete segment for the purpose of disclosure.

17. RE-PRESENTATION OF PRIOR PERIOD FIGURES

The Group has re-presented the comparative condensed consolidated statement of comprehensive income for the six months ended 30 September 2008 and the relevant explanatory notes in relation to the discontinued operation of Weeteck.”

3. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RETAINED GROUP UPON COMPLETION

The unaudited pro forma financial information of the Retained Group upon Completion and the accountants' report thereon which were prepared for the purpose of the Circular are reproduced below. Capitalised terms used in this section shall have the same meanings as those defined in the Circular.

“Accountants’ report on unaudited pro forma financial information to the directors of Ngai Lik industrial holdings limited

We report on the unaudited pro forma financial information of Ngai Lik Industrial Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), excluding Ngai Lik (BVI) Limited and certain of its subsidiaries referred to as the Scheme Subsidiaries defined in the Circular, which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the proposed restructuring involving the Capital Reorganisation (as defined in the Circular), Group Reorganisation (as defined in the Circular) and debt restructuring involving creditors’ Scheme of Arrangement (the “Scheme of Arrangement”) (as defined in the Circular), Subscription for new shares (as defined in the Circular) and Whitewash Waiver (as defined in the Circular) (the “Proposed Transactions”) might have affected the financial information of the Group presented, for inclusion in Appendix II to the circular dated 30 September 2009 (the “Circular”). The basis of preparation of the Group of the unaudited pro forma financial information is set out on page 114 to the Circular. The Group excluding Ngai Lik (BVI) Limited and the Scheme Subsidiaries are hereinafter referred to as the “Retained Group” in this unaudited pro forma financial information.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Retained Group as at 31 March 2009 or at any future date; or
- the results and cash flows of the Retained Group for the year ended 31 March 2009 or any future period.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and

- (c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 30 September 2009

A. INTRODUCTION

The accompanying unaudited pro forma consolidated income statement, balance sheet and cash flow statement of the Retained Group (the “Unaudited Pro Forma Financial Information”) have been prepared to illustrate the effect of the Proposed Transactions might have affected the financial information of the Group.

The unaudited pro forma consolidated income statement and cash flow statement of the Retained Group have been prepared based on the audited consolidated income statement and cash flow statement of the Group for the year ended 31 March 2009 as extracted from the annual report of the Company for the year ended 31 March 2009, and adjusted by pro forma adjustments described in the notes thereto as if the Proposed Transactions had been completed as at 1 April 2008.

The unaudited pro forma consolidated balance sheet of the Retained Group is based upon the audited consolidated balance sheet of the Group as at 31 March 2009, which has been extracted from the annual report of the Company for the year ended 31 March 2009, and adjusted by pro forma adjustments described in the notes thereto as if the Proposed Transactions had been completed on 31 March 2009.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position, results of operation and cash flows of the Retained Group that would have been attained had the Proposed Transactions actually occurred on the dates indicated herein. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Retained Group’s future financial position, results of operation and cash flows.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I to the circular.

B. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE RETAINED GROUP AS AT 31 MARCH 2009

	The Group HK\$'000	Pro forma adjustments			The Retained Group HK\$'000
		HK\$'000 Note 1	HK\$'000 Note 2	HK\$'000 Note 3	
Non-current assets					
Investment properties	203,182			(203,182)	–
Property, plant and equipment	287,862			(287,542)	320
Land use rights – non-current portion	66,582			(66,582)	–
Deposits for acquisition of property, plant and equipment and land use rights	766			(766)	–
	<u>558,392</u>				<u>320</u>
Current assets					
Land use rights – current portion	601			(601)	–
Inventories	130,619			(130,619)	–
Trade and other receivables and prepayments	70,790			(68,927)	1,863
Taxation recoverable	47,494			(47,494)	–
Bank balances and cash	<u>33,192</u>		83,500	(105,163)	<u>11,529</u>
	282,696				13,392
Assets classified as held for sale	<u>230,000</u>			(230,000)	–
	<u>512,696</u>				<u>13,392</u>
Current liabilities					
Trade and other payables	285,412			(274,526)	10,886
Taxation payable	84,209			(84,209)	–
Bank and other borrowings – due within one year	526,796			(526,796)	–
Obligations under finance leases – due within one year	2,835			(2,804)	31
Amount due to a scheme subsidiary	–			1,645	1,645
Provision	15,175			(15,175)	–
Bank overdraft	<u>1,844</u>			(1,844)	–
	916,271				12,562

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	The Group <i>HK\$'000</i>	Pro forma adjustments			The
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	Retained Group <i>HK\$'000</i>
		<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	
Liabilities associated with assets classified as held for sale	<u>108,454</u>			(108,454)	<u>–</u>
	<u>1,024,725</u>				<u>12,562</u>
Net current (liabilities) assets	<u>(512,029)</u>				<u>830</u>
Total assets less current liabilities	<u>46,363</u>				<u>1,150</u>
Non-current liabilities					
Obligations under finance leases					
– due after one year	754			(687)	67
Deferred taxation	<u>26,956</u>			(26,956)	<u>–</u>
	<u>27,710</u>				<u>67</u>
Net assets	<u><u>18,653</u></u>				<u><u>1,083</u></u>
Capital and reserves					
Share capital	79,302	(71,372)	71,372		79,302
Reserves	<u>(61,669)</u>	71,372	12,128	(100,050)	<u>(78,219)</u>
Equity attributable to equity holder of the Company	17,633				1,083
Minority interests	<u>1,020</u>			(1,020)	<u>–</u>
Total equity	<u><u>18,653</u></u>				<u><u>1,083</u></u>

C. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE RETAINED GROUP FOR THE YEAR ENDED 31 MARCH 2009

	The Group		Pro forma adjustments			The Retained Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		Note 5	Note 4	Note 6	Note 7	
Continuing operations						
Turnover	1,538,272	(1,537,614)		61,050		61,708
Cost of sales and direct expenses	<u>(1,673,962)</u>	1,669,069		(61,050)		<u>(65,943)</u>
Gross loss	(135,690)					(4,235)
Other operating (expenses)/income	(36,488)	36,725		27,500	26,457	54,194
Selling and distribution expenses	(32,671)	36,668		(7,320)		(3,323)
Administrative expenses	(164,603)	126,866		(20,180)		(57,917)
Other income	1,632	(1,632)				-
Loss on debt restructuring	-		(1,006,698)			(1,006,698)
Impairment loss on property, plant and equipment	(405,989)	403,847				(2,142)
Impairment loss on intangible assets	(16,471)				16,471	-
Net loss on investment properties	(20,804)				20,804	-
Finance costs	<u>(36,204)</u>				36,076	<u>(128)</u>
Loss before taxation	(847,288)					(1,020,249)
Taxation	<u>15,893</u>	(15,938)				<u>(45)</u>
Loss for the year from continuing operations	(831,395)					(1,020,294)
Discontinued operation						
Loss for the year from discontinued operation	<u>(84,933)</u>	111,390			(26,457)	<u>-</u>
Loss for the year	<u><u>(916,328)</u></u>					<u><u>(1,020,294)</u></u>
Attributable to:						
Equity holders of the Company	(916,328)	902,732	(1,006,698)	-	-	(1,020,294)
Minority interests	<u>-</u>					<u>-</u>
	<u><u>(916,328)</u></u>					<u><u>(1,020,294)</u></u>

D. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE RETAINED GROUP FOR THE YEAR ENDED 31 MARCH 2009

	The Group	Pro forma adjustments			The Retained Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		Note 8	Note 2	Note 4	Note 9
Operating activities					
Loss before taxation	(932,221)	918,670		(1,006,698)	(1,020,249)
Adjustments for:					
Interest income	(956)	956			-
Interest expense	37,762	(37,634)			128
Finance lease charges	607	(607)			-
Impairment loss on property, plant and equipment	421,590	(419,448)			2,142
Net loss on investment properties	20,804	(20,804)			-
Impairment loss on intangible assets	32,884	(32,884)			-
Loss on debt restructuring	-			1,006,698	1,006,698
Loss (gain) on disposal of property, plant and equipment	25,781	(25,964)			(183)
Amortisation of land use rights	1,676	(1,676)			-
Amortisation of intangible assets	16,656	(16,656)			-
Impairment loss on inventories	97,369	(97,369)			-
Exchange difference	8,517	(8,517)			-
Depreciation of property, plant and equipment	65,520	(64,952)			568
Impairment loss on trade receivables	27,859	(26,314)			1,545
Impairment loss on deposit for acquisition of land use rights	9,563	(9,563)			-
Operating cash flows before movements in working capital	(166,589)				(9,351)
Decrease in inventories	225,077	(224,566)			511
Decrease in trade and other receivables and prepayments	99,818	(89,063)			10,755
(Decrease)/increase in trade and other payables	(22,457)	39,224			16,767
Increase in provision	15,175	(15,175)			-
Cash generated from operations	151,024				18,682
Interest received	956	(956)			-
Net cash from operating activities	151,980				18,682

	The Group		Pro forma adjustments			The Retained Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		Note 8	Note 2	Note 4	Note 9	
Investing activities						
Purchase of property, plant and equipment	(22,266)	22,242				(24)
Deposits received in respect of assets classified as held for sale	63,000	(63,000)				-
Acquisition of additional interest of a subsidiary	(3,000)	3,000				-
Additions to investment properties	(2,873)	2,873				-
Proceeds from disposal of property, plant and equipment	14,371	(13,308)				1,063
Additions to intangible assets	(11,451)	11,451				-
Net cash from investing activities	37,781					1,039
Financing activities						
Repayment of bank and other borrowings	(342,028)	323,276				(18,752)
Repayments of obligations under finance leases	(4,162)	4,129				(33)
Interest paid	(37,762)	37,634				(128)
Issue of shares	-		83,500	(73,500)		10,000
Transfer to the Administrators Vehicle	-				(808)	(808)
Finance lease charges paid	(607)	607				-
Repayments to retained subsidiaries	-	(7,594)				(7,594)
New bank and other borrowings raised	66,683	(66,683)				-
Net cash used in financing activities	(317,876)					(17,315)
Net decrease in cash and cash equivalents	(128,115)					2,406
Cash and cash equivalents at the beginning of the year	159,463	(150,559)				8,904
Cash and cash equivalents at the end of the year	31,348					11,310
Analysis of balances of cash and cash equivalents						
Represented by:						
Bank balances and cash	33,192	(31,074)	83,500	(73,500)	(808)	11,310
Bank overdraft	(1,844)	1,844				-
	31,348					11,310

E. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RETAINED GROUP

1. CAPITAL REORGANISATION

The adjustment represents the effect of the reduction of par value of each issued share from HK\$0.10 to HK\$0.01, by the cancellation of HK\$0.09 of the paid-up capital on each existing share. The existing number of issued and fully paid ordinary shares is 793,016,684.

2. SUBSCRIPTION OF NEW SHARES

The adjustment reflects 7,137,150,000 shares with par value of HK\$0.01, representing approximately 90.0% of the enlarged issued share capital of the Company, to be issued and allotted to new investor, Success Pioneer Limited, for a cash consideration of HK\$83.5 million (approximately HK\$0.0117 per share).

3. Based on the Scheme of Arrangement, shareholding interests in the Scheme Subsidiaries will be transferred to the Administrators Vehicle. In addition, amounts owed by the Scheme Subsidiaries to the Retained Group as at the Effective Date (as defined in the Circular) will be assigned to the Administrators Vehicle (the aggregate carrying amount of about HK\$666,789,000 as at 31 March 2009). Part of proceeds from the issuance of shares as mentioned in note 2 above of HK\$70,000,000 will be made available to the Administrators and HK\$3,500,000 will be used to settle part of the cost, charges, expenses and disbursements in connection with the Scheme (the "Costs of Restructuring"). The table below shows the financial impact (as if the above transfer took place on 31 March 2009).

	<i>HK\$'000</i>
Part of the proceeds from the issuance of share as mentioned in note 2 to be:	
– transferred to the Administrators Vehicle	70,000
– used to settle part of the Costs of Restructuring	3,500
Add: Assets of the Scheme Subsidiaries as at 31 March 2009	1,068,432
Add: Other assets of the Company	589
Add: Transfer of amounts due from Scheme Subsidiaries to the Administrators Vehicle	666,789
Less: Liabilities of the Scheme Subsidiaries as at 31 March 2009 (including but not limited to the amounts owed by the Scheme Subsidiaries to the Retained Group of HK\$666,789,000 as at 31 March 2009)	(1,693,391)
Less: Other payables and taxation payable of the Company with carrying amount of HK\$14,804,000 and HK\$45,000 respectively as at 31 March 2009	(14,849)
Less: Release of minority interests	(1,020)
	100,050
Estimated unaudited loss on debt restructuring	100,050

4. Based on the Scheme of Arrangement, shareholding interests in the Scheme Subsidiaries will be transferred to an Administrators Vehicle. In addition, amounts owed by the Scheme Subsidiaries to the Retained Group as at the Effective Date will be assigned to the Administrators Vehicle (the aggregate carrying amount of about HK\$654,024,000 as at 1 April 2008). Part of the proceeds from the issuance of the shares as mentioned in note 2 above of HK\$70,000,000 will be made available to the Administrators and HK\$3,500,000 will be used to settle part of the Costs of Restructuring. The table below shows the financial impact (as if the transfer took place on 1 April 2008).

HK\$'000

Part of the proceeds from the issuance of share as mentioned in note 2 to be:	
– transferred to the Administrators Vehicle	70,000
– used to settle part of the Costs of Restructuring	3,500
Add: Assets of the Scheme Subsidiaries as at 1 April 2008	2,191,877
Add: Other assets of the Company	808
Add: Transfer of amounts due from Scheme Subsidiaries to the Administrators Vehicle	654,024
Less: Liabilities of the Scheme Subsidiaries as at 1 April 2008 (including but not limited to the amounts owed by the Scheme Subsidiaries to the Retained Group of HK\$654,024,000 as at 1 April 2008)	(1,907,972)
Less: Other payables of the Company with carrying amount of HK\$1,519,000 as at 1 April 2008	(1,519)
Less: Release of minority interests	(4,020)
Estimated unaudited loss on debt restructuring	1,006,698

5. The adjustment represents the results of the Scheme Subsidiaries for the year ended 31 March 2009, assuming that the transfer as mentioned in note 3 took place on 1 April 2008.
6. The adjustment reflects the reversal of inter-company transactions between the Retained Group and the Scheme Subsidiaries, assuming the transfer as mentioned in note 3 took place on 1 April 2008.
7. The adjustment represents a reclassification of gain arising from the settlement of payables owed by a scheme subsidiary at a discount by a retained subsidiary.
8. The adjustment reflects the cash flows of the Scheme Subsidiaries for the year ended 31 March 2009, assuming that the transfer as mentioned in note 3 took place on 1 April 2008.
9. The adjustment reflects the bank balances and cash of the Company transferred to the Administrators Vehicle, assuming that the transfer as mentioned in note 3 took place on 1 April 2008. Under the Scheme of Arrangement, other assets of the Company (excluding the amounts owed by retained subsidiaries) will be transferred to the Administrators Vehicle.”

4. INDEBTEDNESS

Borrowings

As at the close of business on 30 November 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding bank and other borrowings of approximately HK\$510,820,000, which were secured by fixed charges on certain of the Group's assets, including investment properties, property, plant and equipment, land use rights and assets classified as held for sale, a fixed and floating charge over all the assets of 16 subsidiaries which have executed debentures and charges over the shares of 17 subsidiaries. In addition, certain plant and machinery were held under finance leases and the Group had outstanding obligations under finance leases of approximately HK\$968,000.

As at 30 November 2009, the Company provided corporate guarantee to banks in respect of facilities granted to a subsidiary which has commenced winding up proceedings. The Company is liable to pay for any shortfall after realisation from the assets of the subsidiary which had outstanding bank and other borrowings of approximately HK\$40,367,000, which are not included in the Group's bank and other borrowings set out in the preceding paragraph.

Debt securities

At the close of business on 30 November 2009, the Group did not have any debt securities.

Commitments

At the close of business on 30 November 2009, the Group had capital commitments contracted but not provided for of approximately HK\$591,000.

Contingent liabilities

At the close of business on 30 November 2009, the Group did not have any contingent liabilities. Save as disclosed in this section headed "Indebtedness" and apart from intra-group liabilities, at the close of business on 30 November 2009 the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

All borrowings mentioned above in the section headed "Borrowings" were released and discharged upon the completion of the Subscription and the effective date of the Scheme. Save for the aforesaid, there are no material changes in terms of indebtedness, liabilities and contingent liabilities of the Group between 30 November 2009 and the Latest Practicable Date.

5. MATERIAL CHANGE

Save for (i) the unaudited total comprehensive loss attributable to the owners of the Company of approximately HK\$55,567,000 for the six months ended 30 September 2009; and (ii) the completion of the Group Reorganisation, the Capital Reorganisation and the Subscription and the Scheme being effective on 11 January 2010, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2009, being the date to which the latest audited consolidated financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at 31 March 2009 (being the latest financial year end of the Company) and the Latest Practicable Date were as follows:

<i>Authorised:</i>		<i>HK\$</i>
1,200,000,000	Shares of HK\$0.10 each as at 31 March 2009	120,000,000
<u>10,800,000,000</u>	Capital Reorganisation	<u>–</u>
<u>12,000,000,000</u>	Shares of HK\$0.01 each as at the Latest Practicable Date	<u>120,000,000</u>
<i>Issued and fully paid:</i>		
793,016,684	Shares of HK\$0.10 each as at 31 March 2009	79,301,668
–	Capital Reorganisation	(71,371,501)
<u>7,137,150,000</u>	Issue of the Subscription Shares	<u>71,371,500</u>
<u>7,930,166,684</u>	Shares of HK\$0.01 each as at the Latest Practicable Date	<u>79,301,667</u>

Save for the issue of 7,137,150,000 Subscription Shares on 11 January 2010 at Completion, the Company has not issued any Shares since 31 March 2009, being the date of the latest published audited accounts of the Group.

All the existing issued Shares are fully paid up and rank pari passu with each other in all respects including all rights as to dividends, voting and capital.

The Company did not have any outstanding warrants, options or securities convertible into Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the following Directors and their respective associates were interested, or were deemed to be interested in the following long and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Mode Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the “Model Code”) adopted by the Company, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed in this circular pursuant to the requirements of the Takeovers Code:

Name of Directors	Capacity/ nature of interest	Number of Shares held		Percentage of total holding
		Long position	Short position	
Mr. Yeung	Controlled corporation	7,137,150,000 (Note 1)	–	90.00%
Lam Man Chan (“Dr. Lam”)	Family interest	278,829,176 (Note 2)	–	3.52%
Ting Lai Ling (“Ms. Ting”)	Family interest	278,829,176 (Note 2)	–	3.52%
Lam Shing Ngai (“Mr. Lam”)	Family interest	278,829,176 (Note 2)	–	3.52%

Notes:

- The Shares were acquired through the Subscription. Success Pioneer is wholly owned by Rainbow Step Limited. Rainbow Step Limited is held as to (i) 45% by Corporate Smart Limited which is wholly owned by Mr. Yeung; (ii) 30% by Big Trophy Limited which is wholly owned by Mr. Lau; (iii) 15% by McCallum Venture Capital Limited which is wholly owned by Mr. Tam; and (iv) 10% by Best Kingdom Limited which is wholly owned by Mr. Kuok. Therefore, Rainbow Step Limited, Corporate Smart Limited and Mr. Yeung are deemed to be interested in the same block of Shares held by Success Pioneer under the SFO.
- The interests are held by Goodchamp Holdings Limited, which is 100% owned by Sinowin (PTC) Inc. as trustee of The Sinowin Unit Trust. The Sinowin Unit Trust is a unit trust owned by HSBC International Trustee Limited as trustee of a discretionary trust. The discretionary trust was settled by Dr. Lam and the discretionary objects of which are Ms. Ting herself (the wife of Dr. Lam) and the family members (including Mr. Lam) of both Dr. Lam and Ms. Ting.

In addition to the above, certain Directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of compliance with the minimum company membership requirements.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective associates had any interests in the long or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Mode Code adopted by the Company, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed in this circular pursuant to the requirements of the Takeovers Code.

(b) Share options

As at the Latest Practicable Date, all the share options granted to the Directors under the share option scheme adopted on 23 August 2002 were lapsed after the exercise period ended on 30 June 2009.

(c) Service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group or its associated companies which (i) (including both continuous and fixed terms) have been entered into or amended during the Relevant Period; or (ii) are continuous contracts with a notice period of 12 months or more; or (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

(d) Interest in assets of the Group

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which were, since 31 March 2009 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to, were proposed to be acquired or disposed of by or leased to, any member of the Group.

(e) Interest in contracts and arrangements

None of the Directors had material interest in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

(f) Interest in competing business

As at the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors or their respective associates has any interest in a business which competes or may compete with the business of the Group.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than the interests disclosed above in respect of certain Directors) had interests or short positions in the Shares or underlying Shares of the Company which fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register to be kept under Section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of the Company or any member of the Group:

Name of Shareholders	Capacity/ nature of interest	Number of Shares		Percentage of holding
		Long position	Short position	
Success Pioneer	Beneficial interest	7,137,150,000 (Note)	–	90.00%

Note: The Shares were acquired through the Subscription. Success Pioneer is wholly owned by Rainbow Step Limited. Rainbow Step Limited is held as to (i) 45% by Corporate Smart Limited which is wholly owned by Mr. Yeung; (ii) 30% by Big Trophy Limited which is wholly owned by Mr. Lau; (iii) 15% by McCallum Venture Capital Limited which is wholly owned by Mr. Tam; and (iv) 10% by Best Kingdom Limited which is wholly owned by Mr. Kuok. Therefore, Rainbow Step Limited, Corporate Smart Limited and Mr. Yeung are deemed to be interested in the same block of Shares held by Success Pioneer under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other persons who had an interest and or short position in the Shares or underlying Shares of the Company which is required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept under Section 336 of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

5. ADDITIONAL DISCLOSURE OF INTERESTS

- (a) Save as disclosed in the section headed “Interests of Directors” in this appendix, none of the Directors hold any shares, convertible securities, warrants, options or other derivatives of the Company. On 25 September 2008, Dr. Lam, Ms. Ting and Mr. Lam, through Goodchamp Holdings Limited (which is 100% owned by Sinowin (PTC) Inc. as trustee of The Sinowin Unit Trust, a unit trust owned by HSBC International Trustee Limited as trustee of a discretionary trust, which is settled by Dr. Lam and the discretionary objects of which are Ms. Ting and the family members (including Mr. Lam) of both Dr. Lam and Ms. Ting), acquired 106,000 Shares at an average price of HK\$0.199 per Share. Save as disclosed herein, none of the Directors had dealt for value in any shares, convertible securities, warrants, options or other derivatives of the Company during the Relevant Period.
- (b) Save for the interest of each of Mr. Yeung, Mr. Lau and Mr. Tam in the Offeror as set out in the Offer Document, none of the Directors hold any shares, convertible securities, warrants, options or other derivatives of the Offeror as at the Latest Practicable Date or had dealt for value in any shares, convertible securities, warrants, options or other derivatives of the Offeror during the Relevant Period.
- (c) As at the Latest Practicable Date, no Shares had been borrowed or lent by any of the Directors or by the Company.
- (d) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.
- (e) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” in the Takeovers Code.
- (f) As at the Latest Practicable Date, no benefit (other than statutory compensation) will be or have been given to any Director as compensation for loss of office in any members of the Group or otherwise in connection with the Offer.
- (g) None of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of a subsidiary of the Company; or (iii) any advisers to the Company (as specified in class (2) of the definition of “associate” under the Takeovers Code) had any interest in the Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, and none of them had dealt in any shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

- (h) No Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers connected with the Company as at the Latest Practicable Date, and none of them had dealt in any shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (i) Save for the interest of each of Mr. Yeung, Mr. Lau and Mr. Tam in the Offeror who entered into the Subscription Agreement as set out in the Offer Document, there was no material contract entered into by the Offeror in which any Director had a material personal interest as at the Latest Practicable Date.
- (j) As at the Latest Practicable Date, the Company did not hold any shares, convertible securities, warrants, options or derivatives of the Offeror. During the Relevant Period, the Company did not deal in any shares, convertible securities, warrants, options or derivatives of the Offeror.
- (k) As at the Latest Practicable Date, none of the Directors has decided, in respect of their own beneficial shareholdings, to accept or reject the Offer.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation of material importance is known to the Directors to be pending or threatened against the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group after the date two years before the commencement of the offer period and are or may be material:

- (a) the Subscription Agreement;
- (b) the deed of undertakings dated 9 December 2009 and the supplemental deed dated 11 January 2010 entered into among certain Retained Subsidiaries and Mighty Firm Limited (a company held by the Administrators for the purposes of the Scheme) in respect of the distribution of certain portion of the profits of the Retained Subsidiaries on a combined basis after the date of the Scheme being effective to the creditors under the Scheme in accordance with the terms of the Scheme; and
- (c) the deed of assignment of loans dated 6 January 2010 entered into among the Company, the Retained Subsidiaries and Mighty Firm Limited in respect of the assignment of all rights in the entire amounts owing by the member of the Former Group (other than the Company and the Retained Subsidiaries) by the Retained Subsidiaries to Mighty Firm Limited for the benefit of the creditors under the Scheme.

8. CONSENT AND QUALIFICATION

The following is qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Veda Capital	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Veda Capital did not have any shareholding in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interest, either directly or indirectly, in any assets which had been, since 31 March 2009 (the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Veda Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice and references to its name and logo in the form and context in which they respectively appear.

9. GENERAL

- (a) The registered office of the Company is at Clarendon House, Church Street, Hamilton HM11, Bermuda.
- (b) The Head office and principal office of business of the Company in Hong Kong is Flat 29-32, 8/F., Block B, Focal Industrial Centre, 21 Man Lok Street, Hunghom.
- (c) The registered office of Access Capital Limited is at Suite 606, 6/F., The Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- (d) Access Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and logo in the form and context in which they respectively appear.
- (e) The registered office of Veda Capital is at Suite 1302, Takshing House, 20 Des Voeux Road Central, Central, Hong Kong.
- (f) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

- (g) The company secretary of the Company is Mr. Chan Sek Kwan Rays, who is a Certified Public Accountant (Practising) in Hong Kong, a fellow member of Hong Kong Institute of Certified Public Accountants and a Certified Practising Account (“CPA”) of CPA Australia.
- (h) The English language text of this circular shall prevail over their respective Chinese language text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the websites of the SFC (www.sfc.hk) and the Company (www.ngailik.com) and, during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays), at the Company’s Hong Kong office at Flat 29-32, 8/F., Block B, Focal Industrial Centre, 21 Man Lok Street, Hunghom from the date of this circular until the final closing date of the Offer:

- (a) the Bye-Laws of the Company;
- (b) the annual reports of the Company for the two years ended 31 March 2009;
- (c) the interim report of the Company for the six months ended 30 September 2009;
- (d) the accountants’ report on the Former Group prepared by Deloitte Touche Tohmatsu for the three years ended 31 March 2009 contained in the Circular, the text of which is reproduced in Appendix I to this circular;
- (e) the accountants’ report prepared by Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Group upon Completion, the text of which is reproduced in Appendix I to this circular;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 11 to 12 of this circular;
- (g) the letter from Veda Capital, the text of which is set out on pages 13 to 26 of this circular;
- (h) the material contracts referred to in the section headed “Material contracts” in this appendix;
- (i) the written consents referred to in this appendix; and
- (j) this offeree board circular.