THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 and the accompanying form of proxy 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).

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares or other securities in the Company.

NGAI LIK INDUSTRIAL HOLDINGS LIMITED

(毅力工業集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 332)

RESTRUCTURING PROPOSAL INVOLVING, INTER ALIA, CAPITAL REORGANISATION, GROUP REORGANISATION AND DEBT RESTRUCTURING INVOLVING CREDITORS' SCHEME OF ARRANGEMENT, SUBSCRIPTION FOR NEW SHARES AND WHITEWASH WAIVER

Financial adviser to Ngai Lik Industrial Holdings Limited

Access Capital

Financial adviser to Success Pioneer Limited

SOMERLEY LIMITED

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

Quam CAPITAL 華富嘉洛企業融資

A letter from the Board is set out on pages 10 to 26 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 27 to 28 of this circular.

A letter from the independent financial adviser, Quam Capital Limited, containing its advice to the Independent Board Committee is set out on pages 29 to 43 of this circular.

A notice convening the SGM to be held at Flat 29-32, 8/F., Block B Focal Industrial Centre, 21 Man Lok Street, Hunghom, Kowloon, Hong Kong on 27 October 2009, at 3:00 p.m. is set out on pages 160 to 165 of this circular. Whether or not you intend to attend the SGM, please complete and return the enclosed form of proxy in accordance with the instruction printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event, not less than 48 hours before the time fixed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the SGM or at any adjourned meeting should you so wish.

30 September 2009

* *For identification purposes only*

CONTENTS

	2009
Latest time for lodging forms of proxy for the SGM	3:00 p.m. on 25 October 2009
Record Date	27 October 2009
SGM	3:00 p.m. on 27 October 2009
Announcement of the results of the SGM	28 October 2009

The Restructuring Proposal involves, among others, the Capital Reorganisation and the Scheme, both of which are conditional on, among others, the results of the SGM and the sanctioning of the Scheme by both the Hong Kong Court and the Bermuda Court. Further announcement(s) will be made to update the Shareholders and potential investors as and when appropriate.

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

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 Court(s) in respect of the Scheme
"Administrators Vehicle"	such newly incorporated holding company deployed by the Administrators for the purposes of holding the entire issued share capital of Ngai Lik BVI from the Effective Date
"Admitted Claims"	all Claims of Scheme Creditors against the Company which would be provable in a winding up of the Company if an order for the winding up of the Company were made on the Effective Date and which have been admitted by the Administrators in accordance with the Scheme
"associate"	the same meaning ascribed to it under the Listing Rules
"Bermuda Court"	the Supreme Court of Bermuda
"Best Kingdom"	Best Kingdom Limited, a company incorporated in the British Virgin Islands with limited liability
"Big Trophy"	Big Trophy Limited, a company incorporated in the British Virgin Islands with limited liability
"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 Reduction"	the reduction of the 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 pursuant to the Capital Reorganisation
"Capital Reorganisation"	the proposed restructuring of the share capital of the Company comprising the Capital Reduction and the Share Sub-division

"Claim"	any debt, liability or obligation of the Company as at the Effective Date, whether known or unknown, whether certain or contingent, whether present, future or prospective, whether liquidated or unliquidated, whether arising at common law, in equity or by statute, in Hong Kong, Bermuda, the British Virgin Islands, PRC, Samoa, Macau or in any other jurisdiction or in any manner whatsoever and which includes without limitation a debt or liability to pay money or money's worth, any liability for breach of trust, any liability in contract, tort or bailment, any liability arising out of an obligation to make restitution, and any liability arising out of any legal claims, whether certain or contingent
"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 of the Stock Exchange
"Companies Act"	Companies Act 1981 of Bermuda
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Completion"	pursuant to the Subscription Agreement, completion of the transactions contemplated thereunder
"Completion Date"	the date on which all the conditions precedent pursuant to the Subscription Agreement are fulfilled or waived (or such other date as may be agreed between the Company and the Subscriber)
"Concert Group"	the Subscriber and parties acting in concert with it, including but not limited to, Mr. Kuok, Mr. Lau, Mr. Tam and Mr. Yeung
"connected person(s)"	the meaning ascribed to it under the Listing Rules
"Corporate Smart"	Corporate Smart Limited, a company incorporated in the British Virgin Islands with limited liability
"Courts"	Hong Kong Court and Bermuda Court
"Creditors"	all creditors of the Company as at the Effective Date
"Cut-Off Date"	the date to be determined by the Administrators which shall be at least 21 days after the date of the notices and advertisements to all Creditors as in accordance with the Scheme
"Deposit"	a sum of HK$8,350,000 paid by the Subscriber to the Escrow Agent as deposit for the Subscription in accordance with the terms of the Subscription Agreement

"Din Wai Digital"	Din Wai Digital Limited, a company incorporated in Samoa and a wholly-owned subsidiary of the Company
"Din Wai Services"	Din Wai Services (Macao Commercial Offshore) Limited, a company incorporated in Macau and a wholly-owned subsidiary of the Company
"Directors"	the directors of the Company
"Due Diligence Period"	the period commencing on the date of the Subscription Agreement and ending on the later of (a) 30 September 2009 and (b) the date of this circular (or such other date as may be agreed in writing between the Company and the Subscriber)
"Due Diligence Review"	a due diligence review and investigation being carried out by or on behalf of the Subscriber on the members of the Retained Group including without limitation to their assets, liabilities, contracts, commitments and business and financial and legal and taxation aspects
"Effective Date"	the date on which the Scheme becomes effective by virtue of the delivery of a copy of the order of the Hong Kong High Court sanctioning the Scheme to the Registrar of Companies in Hong Kong and a copy of the order of the Supreme Court of Bermuda to the Registrar of Companies in Bermuda for registration
"Escrow Agent"	the escrow agent appointed by the Company and the Investor jointly
"Executive"	the Executive Director of the Corporate Finance Division of the SFC from time to time or any of its delegate
"Existing Shareholders"	the persons who will be shareholders of the Company as at the Record Date
"Grand More"	Grand More Enterprises Limited, a company incorporated in Samoa and a wholly-owned subsidiary of the Company
"Group"	the Company and all its subsidiaries before implementation of the Group Reorganisation
"Group Reorganisation"	the meaning as described under paragraph headed "The Group Reorganisation", in this circular
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Court"	the Court of First Instance of the High Court of Hong Kong
"Incident"	the contents of newspaper articles which appeared in Apple Daily on 20 December 2008, and Ming Pao Daily and South China Morning Post on 23 December 2008, referring to, among other things, certain suppliers of Weeteck Limited (formerly known as Ngai Lik Mobile Electronics Limited), a subsidiary of the Company, seeking settlement of the amounts due to them and the lay-offs of Weeteck Limited workers
"Independent Board Committee"	the independent board committee of the Company comprising Messrs. Ng Chi Yeung, Simon, Tam Yuk Sang, Sammy and Ho Lok Cheong, all being independent non-executive Directors
"Independent Shareholder(s)"	Shareholder(s), other than the Concert Group and those who are involved or interested in, in each case in its capacity as a Shareholder, the Subscription Agreement and the Whitewash Wavier, and are required to abstain from voting at the SGM
"Independent Third Party(ies)"	third party(ies) independent of the Company and connected persons of the Company
"Issuer Vehicle"	such wholly-owned subsidiary of the Company, to be deployed as the holding company of the Retained Subsidiaries upon the completion of the Group Reorganisation
"Issuer Vehicle Holdco"	such wholly-owned subsidiary of the Company to directly hold the entire interest in the issued ordinary share capital of the Issuer Vehicle upon the completion of the Group Reorganisation
"Joint Announcement"	the announcement of the Company dated 24 February 2009 regarding, among other things, the Capital Reorganisation, the Group Reorganisation, the Scheme, the Subscription and the Whitewash Waiver
"Last Trading Day"	6 February 2009, being the last trading date prior to the signing of the Subscription Agreement
"Latest Practicable Date"	30 September 2009, being the latest practicable date for ascertaining certain information of this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Longstop Date"	31 December 2009 (or such other date as may be agreed in writing between the Company and the Subscriber)
"Macau"	the Macau Special Administrative Region of the PRC
"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
"McCallum VC"	McCallum Venture Capital Limited, a company incorporated in the British Virgin Islands with limited liability
"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
"Ngai Lik BVI"	Ngai Lik (BVI) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company before implementation of the Group Reorganisation
"NLET"	Ngai Lik Electronics Trading Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"NL Enterprises"	Ngai Lik Enterprises Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"NL Industrial"	Ngai Lik Industrial Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"Person"	an individual, partnership, company, body corporate, joint stock company, trust, unincorporated association or body of persons (including a partnership or consortium), joint venture or other entity, or a government or any political subdivision or agency thereof
"PRC"	the People's Republic of China
"Profit Sharing Arrangement"	the meaning as described under paragraph headed "The Profit Sharing Arrangement" in this circular

"Preferential Claim"	a Claim which would be treated as a preferential claim, if the Company was wound up on the Effective Date, which would have been payable out of the assets of the Company pursuant to Section 265 of the Companies Ordinance and/or Section 236 of the Companies Act in priority to the claims of the general Unsecured Scheme Creditors
"Preferential Creditor(s)"	Persons with Preferential Claims
"Rainbow Step"	Rainbow Step Limited, a company incorporated in the British Virgin Islands with limited liability directly holding 100% interest in the Subscriber
"Record Date"	the record date to determine entitlements to, if any, the distribution of any residual value of the Scheme, being 27 October 2009, subject to any change to be announced by the Company
"Relevant Period"	the period beginning six months prior to 6 January 2009, being the date of the Company's announcement in relation to, among other things, the notification to be made under Rule 3.7 of the Takeovers Code, and ended on the Latest Practicable Date
"Restructuring Proposal"	the proposed restructuring of the Company involving the Capital Reorganisation, the Group Reorganisation, the Scheme, the Subscription and the Whitewash Waiver
"Resolutions"	the resolutions to be considered by the Shareholders (or, where applicable, the Independent Shareholders) which are necessary to give effect to the transactions contemplated under the Subscription Agreement and comply with the Listing Rules and the Takeovers Code and, including: (1) the approval of the Capital Reorganisation; (2) the approval of the Group Reorganisation (including such approval, if required, for the transfer of the Scheme Subsidiaries by the Company to the Scheme); (3) the approval of the terms of the Subscription Agreement; (4) the approval of the issue and allotment of the Subscription Shares; and (5) the Whitewash Waiver, for the avoidance of doubt, the Resolutions do not include resolution(s) to be put before the relevant meeting of the Scheme Creditors

"Retained Group"	the Company, the Issuer Vehicle Holdco, the Issuer Vehicle and the Retained Subsidiaries
"Retained Subsidiaries"	the subsidiaries of the Company immediately following the Completion, namely, Din Wai Services, Din Wai Digital, Grand More, NL Enterprises and NL Industrial
"Scheme" or "Scheme of Arrangement"	the scheme of arrangement for the Company pursuant to Section 166 of the Companies Ordinance, and pursuant to Section 99 of the Companies Act, as set out in the Scheme Document, or with or subject to any modification of it, any addition to it or any condition approved or imposed by the Courts
"Scheme Creditor(s)"	any Person with the benefit of a Claim against the Company which arose on or before the Effective Date and such Claim has been admitted by the Administrators in accordance with the Scheme
"Scheme Document"	the scheme document to be issued by the Company in respect of the Scheme
"Scheme Subsidiaries"	Ngai Lik BVI and the subsidiaries of Ngai Lik BVI, other than the Retained Subsidiaries, as at the Latest Practicable Date
"Secured Creditor"	Creditors with the benefit of any Security Interest in respect of their Claims
"Security Interest"	any mortgage, charge, assignment, hire-purchase, title retention, leasing, sale-and–repurchase or sale-and-leaseback arrangement, pledge, lien, hypothecation, encumbrance or security interest of whatsoever kind or any other agreement having the effect of conferring security
"SFC"	the Securities and Future Commission of Hong Kong
"SGM"	the special general meeting of the Company to be convened for the purposes of considering, and if thought fit, approving, the Resolutions
"Shareholders"	shareholders of the Company
"Shares"	ordinary shares of a par value of HK$0.10 in the existing share capital of the Company on the Latest Practicable Date and before Capital Reorganisation and all other (if any) stock or shares from time to time and for the time being ranking pari passu therewith and all other (if any) stock or shares in the share capital of the Company resulting from any sub-division, consolidation or re-classification thereof

"Share Consideration"	the sum of HK$83,500,000 for the subscription of the Subscription Shares
"Share Option Scheme"	the share option scheme adopted by the Company on 23 August 2002
"Share Sub-division"	the proposed sub-division where each of the authorised but unissued Share in the capital of the Company of par value HK$0.10 will be sub-divided into 10 Shares of par value HK$0.01 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated 9 February 2009 entered into between the Company (as issuer) and the Subscriber (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 Subscriber pursuant to the Subscription Agreement
"Subscription Shares"	the 7,137,150,000 new Shares of par value of HK$0.01 each to be subscribed for by the Subscriber, representing approximately 90% of the enlarged issued share capital of the Company immediately upon Completion
"Success Pioneer" or "Subscriber" or "Investor"	Success Pioneer Limited, a company incorporated in the British Virgin Islands with limited liability
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Unsecured Scheme Creditors"	Scheme Creditors or any of them other than (a) Secured Creditors in respect of the Security Interest they hold over any assets of the Company and (b) Preferential Creditors to the extent of their Preferential Claim (for the avoidance of doubt, Unsecured Scheme Creditors shall include to the extent of their non-Preferential Claim, Persons who, while they have Preferential Claim against the Company, also have unsecured non-Preferential Claim against the Company)

"Whitewash Waiver"	the whitewash waiver pursuant to Note 1 of the Notes on Dispensations from Rule 26 of the Takeovers Code in respect of any obligation of the Concert Group to make a general offer for all the issued Shares not already owned or agreed to be acquired by the Concert Group which might otherwise arise as a result of the Subscriber subscribing for the Subscription Shares under the Subscription Agreement
"%"	per cent.

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
Dr. Lam Man Chan *(Chairman)*
Ms. Ting Lai Ling
Ms. Ting Lai Wah
Mr. Yeung Cheuk Kwong
Mr. Lam Shing Ngai

Independent Non-Executive Directors
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
Hunghom
Kowloon

Registered Office
Clarendon House
Church Street
Hamilton HM11
Bermuda

30 September 2009

To the Shareholders

Dear Sir or Madam,

RESTRUCTURING PROPOSAL INVOLVING, INTER ALIA, CAPITAL REORGANISATION, GROUP REORGANISATION AND DEBT RESTRUCTURING INVOLVING CREDITORS' SCHEME OF ARRANGEMENT, SUBSCRIPTION FOR NEW SHARES AND WHITEWASH WAIVER

INTRODUCTION

On 24 February 2009, the Board announced (i) the Restructuring Proposal in relation to the financial restructuring of the Group which involves, among other things, the Capital Reorganisation, the Group Reorganisation, the Scheme, the Subscription and the Whitewash Waiver; and (ii) the Subscription Agreement dated 9 February 2009 entered into between the Company and the Subscriber, pursuant to which Success Pioneer had conditionally agreed to subscribe for approximately 90% of the enlarged issue share capital of the Company immediately upon Completion at a total consideration of HK$80,000,000, out of which HK$70,000,000 shall be made available to the Administrators for distribution to the Scheme Creditors pursuant to the terms of the Scheme.

* *For identification purposes only*

On 28 April 2009, the Company further announced that the Company and the Subscriber had entered into an amendment deed for the purposes of increasing the Share Consideration under the Subscription Agreement from HK$80,000,000 to HK$83,500,000.

The Restructuring Proposal is subject to a number of conditions as set out in this circular including, but not limited to, the passing of the relevant resolutions at the SGM. The purpose of this circular is (i) to provide you with further information in relation to the Restructuring Proposal; (ii) to set out the advice of Quam Capital Limited to the Independent Board Committee in respect of the Restructuring Proposal, the Whitewash Waiver and the transactions contemplated thereunder; and (iii) to include a notice of the SGM as set out on pages 160 to 165 of this circular.

BACKGROUND TO AND REASONS FOR THE RESTRUCTURING PROPOSAL

Due to the adverse impact of the worldwide economic downturn as triggered by the financial crisis in the United States in 2008, the financial position of the Group has significantly deteriorated. As disclosed in the announcement of the Company dated 6 January 2009, the Board announced, among other things, that the Group has decided to significantly scale down and to restructure its mobile division in order to alleviate the financial situation of the Group. Nevertheless, as shown in the Company's annual report for the year ended 31 March 2009, the Group recorded a significant loss of approximately HK$916.3 million for the year and its net assets as at 31 March 2009 amounted to approximately HK$18.7 million, as compared to the net assets of approximately HK$938.0 million as at 31 March 2008.

As at 31 March 2009, while the bank balances and cash of the Group amounted to approximately HK$33.2 million, its bank and other borrowings that are due within one year amounted to approximately HK$574.1 million (including bank borrowings related to assets held for sale of approximately HK$45.4 million and bank overdraft of HK$1.8 million). The Board considers that the Restructuring Proposal will enable the Group to deal with its indebtedness in a formal and orderly manner so that, so far as the Company is concerned, the Claims will be released and discharged. If the Restructuring Proposal is not successfully implemented, it is likely that the Scheme Creditors will take legal actions against the Company for any recovery of the amounts due by the Company and the Company may be put into liquidation as a result of such legal actions.

The Directors therefore consider that the terms of the Restructuring Proposal and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE RESTRUCTURING PROPOSAL

The terms of the Restructuring Proposal are basically governed by the Subscription Agreement and the Scheme Document. The completion of the Subscription Agreement and the Scheme being effective are inter-conditional upon each other. Set out below are the principal terms of the Restructuring Proposal.

The Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company was HK$120,000,000 divided into 1,200,000,000 existing Shares, of which 793,016,684 existing Shares had been allotted and issued as fully paid.

Under the Capital Reorganisation, the share capital of the Company will be restructured in the following manner:

(1) Capital Reduction where the par value of each existing issued Share will be reduced from HK$0.10 to HK$0.01 by the cancellation of HK$0.09 of the paid-up capital on each existing Share;

(2) Share Sub-division where each of the authorised but unissued Share in the capital of the Company of par value HK$0.10 will be sub-divided into 10 shares of par value of HK$0.01 each; and

(3) the authorised share capital of the Company immediately after the Capital Reorganisation becoming effective will be HK$120,000,000 divided into 12,000,000,000 Shares of par value of HK$0.01 each of which 793,016,684 Shares will have been issued and fully paid up before the allotment of the Subscription Shares.

The Capital Reorganisation will become effective upon payment by the Investor of the aggregate Subscription Price.

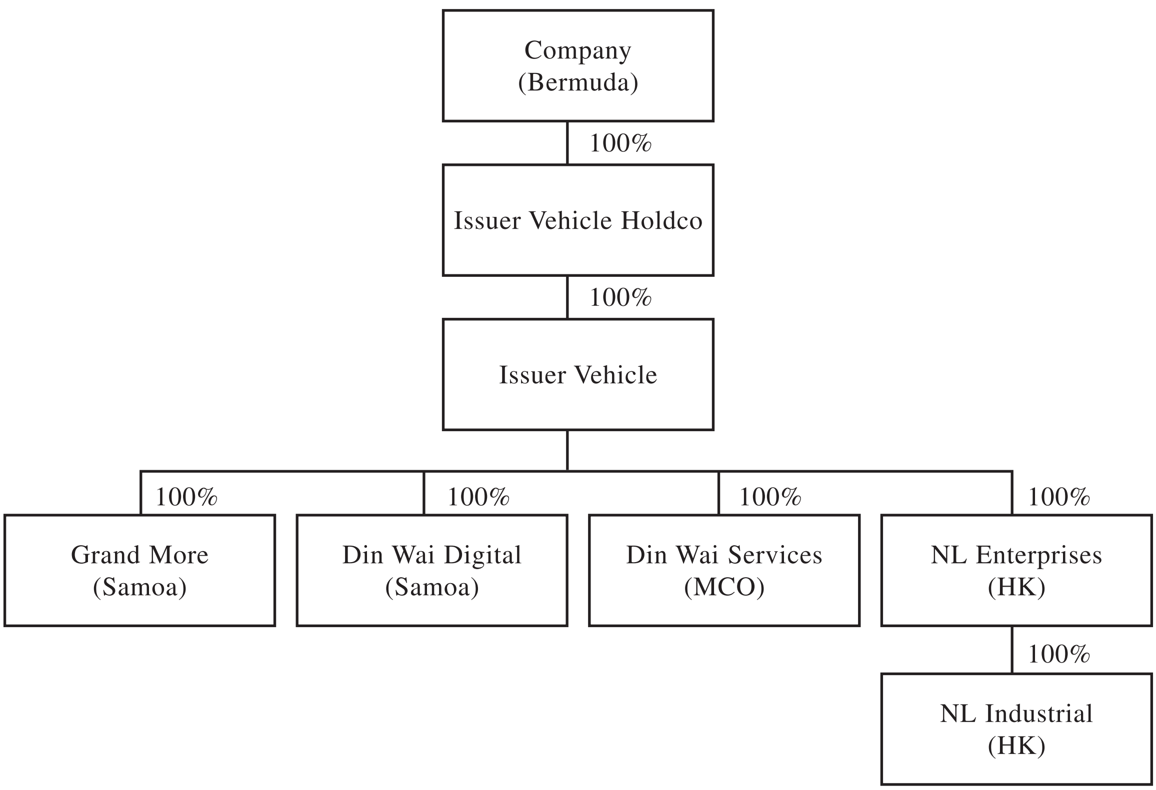
The new Shares after Capital Reorganisation will be identical and rank pari passu in all respects with each other and the Capital Reorganisation will not result in any change in the relative rights of the Existing Shareholders.

The Group Reorganisation

As at the Latest Practicable Date, there were a total of 59 subsidiaries under the Company in the Group. Pursuant to the Group Reorganisation, the entire interest in the share capital of each of the Retained Subsidiaries will be transferred by Ngai Lik BVI or its subsidiaries to the Issuer Vehicle, whereas the entire interest in the share capital of Ngai Lik BVI (which will become the holding company of all 53 Scheme Subsidiaries prior to the Completion) will be transferred by the Company to the Administrators Vehicle controlled by the Administrators. Upon completion of the Group Reorganisation, the existing Group will be divided into (i) the Retained Subsidiaries and the Company (together with all intermediary holding companies) and (ii) the Scheme Subsidiaries.

When the Scheme becomes effective, the shares of the Scheme Subsidiaries will be put under the control of the Administrators (via the Administrators Vehicle) for realisation for the benefit of the Scheme Creditors. The Administrators shall be entitled to exercise such voting rights and powers as are necessary or desirable to give effect to the provisions of the Scheme and matters incidental to the Scheme, and shall, without limitation, also be vested with powers equivalent to those vested in a liquidator in a winding up of a company by the Courts. In particular, they shall be entitled to exercise such rights and powers to give effect to the appointment of the directors of all Scheme Subsidiaries at their absolute discretion. After all assets subject to the Scheme have been realised and all distributions have been paid to all Scheme Creditors in accordance with the Scheme, the Scheme will be terminated on the date of the approval of the committee of the Scheme Creditors' or such later date as the Courts may allow on the application of the Company or the Administrators. Any residual value of the Scheme shall be distributed to those persons who were Shareholders as at the Record Date on a pro-rata basis to their respective shareholdings in the Company as at the Record Date as soon as reasonably practicable following termination of the Scheme.

Set out below is the structure of the Retained Group immediately following completion of the Group Reorganisation.



The purpose of the Group Reorganisation is to facilitate the implementation of the Scheme so that the existing indebtedness and liabilities of the Company will be restructured. Through the Scheme, all Claims will be released and discharged in full in return for:

(i) a cash payment of HK$70.0 million (which will be funded by the Company out of the proceeds of the Subscription);

(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;

(iii) any realisations of the Scheme Subsidiaries and/or their assets to be made in accordance with the terms of the Scheme; and

(iv) 30% of net profit after tax (if any) generated by the Retained Subsidiaries on a combined basis from the Effective Date to 31 March 2013 pursuant to the Profit Sharing Arrangement.

Pursuant to the Scheme, any interests in the assets and businesses of the Administrators Vehicle and its subsidiaries, after the discharge of the Admitted Claims and the indebtedness of the Scheme Subsidiaries and other liabilities (if any), will be held by the Administrators for the benefit of the Shareholders as at the Record Date. The Administrators will orderly realise the assets and businesses of the Scheme Subsidiaries and apply the proceeds to pay dividend to the Scheme Creditors. The duration of the Scheme is expected to be commenced from the Effective Date to 31 March 2013.

The Profit Sharing Arrangement

Pursuant to the terms of the Scheme, certain portion of the profits of the Retained Subsidiaries on a combined basis after the Effective Date should also be made available (subject to limitations) to the Administrators for distribution to Scheme Creditors. The Retained Subsidiaries shall, prior to the Scheme becoming effective, enter into a deed of undertaking with the Administrators Vehicle and the Administrators, under which, where there is any net profit after tax generated by the Retained Subsidiaries on a combined basis (in accordance with the audited financial statements of the Retained Subsidiaries audited by the Company's auditor for the time being) for the following periods:

(a) the period commencing on (and including) the Effective Date and ending on 31 March 2010;

(b) the year ending 31 March 2011;

(c) the year ending 31 March 2012; and

(d) the year ending 31 March 2013,

30% of such net profits, if any, shall be paid by the Retained Subsidiaries (on a pro-rata basis) to the Administrators Vehicle within one month from the ending date of the relevant period, subject always to the condition that the listing status of the Company will not be affected by the making of such payment. The Retained Subsidiaries shall complete the above-mentioned special audit within four months from the ending date of each relevant period and the cost of preparation of the special audit reports on the Retained Subsidiaries shall be borne by the Scheme and the Retained Subsidiaries in equal shares.

For the avoidance of doubt, the Company will not be a party to the deed giving effect to the Profit Sharing Arrangement and hence the Company will not assume any obligations (financial or otherwise) of any Retained Subsidiaries under the Profit Sharing Arrangement.

Inter-Company Debts

All inter-company debts within the Group will be settled or assigned out of the Group before the Effective Date, except that (i) the debts owed by a Retained Subsidiary to the Scheme Subsidiaries will continue in effect after the Effective Date, provided that the listing status of the Company will not be affected by such Retained Subsidiary's repayment of those debts owed to the Scheme Subsidiaries and (ii) the debts owed by a Retained Subsidiary to the Company will continue in effect after the Effective Date.

The Scheme

The Scheme will become effective and binding on all the Scheme Creditors if the following conditions are satisfied:

(i) more than 50% in number, representing not less than 75% in value of the Creditors who attend either in person or by proxy and vote in favour of the Scheme at the relevant Scheme Creditors' meeting;

(ii) the Scheme is sanctioned by the High Court and a copy of the order of the High Court sanctioning the Scheme is delivered to the Registrar of Companies in Hong Kong for registration;

(iii) the Scheme is sanctioned by the Bermuda Court and a copy of the order of the Bermuda Court sanctioning the Scheme is delivered to the Registrar of Companies in Bermuda for registration; and

(iv) all conditions precedent to the Subscription Agreement are fulfilled or, where applicable, waived save and except the condition precedent relating to the sanctioning of the Scheme.

The future business model of the Retained Group

The existing principal businesses of the Group involve the design, manufacture, and sale of electronic products and property investment. Following Completion, the Retained Group will continue its existing principal business except its manufacturing activities will be carried out under manufacturing contract processing arrangements. In particular, the Retained Subsidiaries will continue their sale of electronic products following Completion. Other than the manufacturing activities, the Retained Subsidiaries will continue to be responsible for procuring raw materials, providing technical know-how, management and design on the finished products. The Retained Group will procure those activities in relation to the manufacture of its products from other independent third party processing agents (including but not limited to certain Scheme Subsidiaries) through certain processing agreements or contracts.

Historically and for the year ended 31 March 2009, the principal trading activities of the Group were carried out through NLET. Since July 2009, NL Enterprises has taken over the role of NLET as the principal trading arm of the Group since the Directors have decided to wind down the business activities of NLET as a part of its debt restructuring exercise.

The Directors consider that the Restructuring Proposal will not alter the existing principal business of the Group in any material way. Immediately following Completion, the Retained Group will comprise the Company, the Issuer Vehicle Holdco, the Issue Vehicle and the Retained Subsidiaries, namely, Din Wai Services, Din Wai Digital, Grand More, NL Enterprises and NL Industrial.

Given the fact that all existing properties of the Group are held by those subsidiaries of the Company which will be Scheme Subsidiaries and that one of such subsidiaries is also currently the employer of the majority of the Group's staff in the PRC, the Directors propose that subject to the negotiation between the relevant parties and the approval by the Administrators, the Retained Subsidiaries may enter into certain transactions with those Scheme Subsidiaries in relation to the leasing of properties, the leasing of machineries and sub-contracting services following Completion. The Directors are of the view that the transactions to be carried out between the Retained Group and the Scheme Subsidiaries following Completion, if any, will be conducted in the ordinary and usual course of business of the Retained Group and on normal commercial terms.

The Subscription

Pursuant to the Subscription Agreement, the Subscriber will subscribe for 7,137,150,000 Subscription Shares at the Share Consideration of HK$83,500,000.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Subscriber and its ultimate beneficial owners are Independent Third Parties.

The Subscription Shares, when issued and fully-paid, will rank equally in all respects among themselves and with all other Shares in issue as at the date of their allotment and issue.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

The Subscription Price of approximately HK$0.012 per new Share represents:

– 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;

– 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;

– 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;

– 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;

– a discount of approximately 89.1% to the closing price of HK$0.110 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

– a discount of approximately 50.0% to the audited consolidated net assets per Share of approximately HK$0.024 as at 31 March 2009 (based on the audited consolidated net assets of the Group as at 31 March 2009 of approximately HK$18,653,000 and 793,016,684 Shares in issue as at 31 March 2009).

The estimated net price of the Subscription Shares to be received by the Company is approximately HK$0.011 per Share.

The Subscription Price is determined by the Company and the Subscriber on an arm's length basis having taken into account, among other things, the following factors:

– the significant unaudited loss of the Group for the six months ended 30 September 2008;

– the possible adverse impact of the Incident;

– the persistent deterioration of market conditions;

– the urgent need to satisfy the Company's financial obligations of approximately HK$318 million which have become overdue since 1 October 2008; and

– the business outlook of the Group.

In view of the above, the Directors (excluding the independent non-executive Directors) consider that although the Subscription Price represents more than 85% discount to the trading price of the Shares immediately prior to the Last Trading Day, the Subscription Price has been arrived at on a fair and reasonable basis.

Deposit

In accordance with the terms of the Subscription Agreement, the Subscriber has delivered to the Escrow Agent the Deposit, which is fully refundable to the Subscriber unless the Subscription Agreement is terminated (or deemed to be terminated) or Completion does not take place due to default of the Subscriber of its obligations under the Subscription Agreement. In addition, the Company shall pay a sum equal to HK$6,350,000 to the Subscriber (in addition to the refund of the Deposit) as liquidated damages if all conditions precedent of the Subscription Agreement have been satisfied or waived but Completion does not take place due to the default of the Company of its obligations under the Subscription Agreement.

Upon Completion, the Deposit shall be released by the Escrow Agent to the Company and applied as payment of part of the Share Consideration by the Subscriber to the Company.

Conditions precedent of the Subscription Agreement

Pursuant to the Subscription Agreement, completion of the Subscription shall be conditional upon the following conditions precedent being fulfilled or waived (as the case may be):

(1) passing of the Resolutions at the SGM by way of poll by the Shareholders, other than Shareholders abstaining from voting as may be so required by law, the Listing Rules or the Takeovers Code or by the Stock Exchange and/or the SFC (as the case may be);

(2) the granting of the Whitewash Waiver by the Executive conditional only on the approval by Shareholders (other than Shareholders abstaining from voting as may be so required by the Takeovers Code or by the Executive) of the Whitewash Waiver; and such Whitewash Waiver not having been revoked by the Executive;

(3) listing of and permission to deal in all of the Subscription Shares having been granted by the Listing Committee of the Stock Exchange (either unconditionally or subject to conditions);

(4) all consents, approvals, sanctions, despatch and filing of documents (including the Scheme Document) necessary for the purpose of making the Scheme effective having been obtained and done in accordance with the applicable laws and regulations;

(5) completion of the following steps of the Group Reorganisation:

    (i) the entire interest in the share capital of each of the Retained Subsidiaries be transferred to the Issuer Vehicle; and

    (ii) the entire interest in the share capital of Ngai Lik BVI be transferred by the Issuer to the Administrators Vehicle;

(6) trading in the Shares on the Stock Exchange not being suspended for a period of more than seven consecutive trading days in the period of fourteen days immediately preceding the Completion Date, excluding any suspension for the purposes of clearing any announcement and/or circular, in relation to the transactions contemplated under the Subscription Agreement by SFC, the Stock Exchange and other regulatory authorities; and any suspension in respect of which the Stock Exchange having not indicated that trading in the Shares will not be resumed after such suspension;

(7) listing of the Shares on the Stock Exchange not being revoked or withdrawn at any time prior to Completion and there being no indication received by the Company from the SFC or the Stock Exchange prior to the Completion Date that listing of Shares will be suspended, revoked or withdrawn at any time after Completion, whether in connection with any of the transactions contemplated under the Subscription Agreement or otherwise;

(8) there being no material adverse change in the financial position, business or property, results or operations of any member of the Retained Group as at Completion and the warranties given by the Company under the Subscription Agreement being true and accurate in all material respect as at Completion, in each case save and except as disclosed pursuant to the Subscription Agreement;

(9) (if required) the Bermuda Monetary Authority granting its consent to the issue and allotment and free transferability of the Subscription Shares;

(10) any other waivers, consents, authorisations, clearances and approvals which are required from the relevant courts, governmental or regulatory authorities in Hong Kong and Bermuda, and any confirmations, declarations and certificates of any kind, for the Subscription Agreement and the transactions contemplated therein (including the Capital Reorganisation and the Group Reorganisation) having been granted, fulfilled or given (as applicable); and

(11) completion of the Due Diligence Review within the Due Diligence Period in respect of the affairs of the Retained Group to the satisfaction of the Subscriber.

The Subscriber may at any time waive any or all of the conditions precedent set out above (save and except for conditions precedent (1), (3), (4), (5), (9) and (10) if as a result of such waiver the Company would be in breach of the Listing Rules, the Takeovers Code, or the rules or regulations of any relevant governmental, statutory or regulatory authority) either in whole or in part by giving written notice to the Company.

In the event that the Subscriber waives the satisfaction of condition precedent (2) and elects to proceed with the Subscription, the Subscriber will comply with all the relevant requirements under the Takeovers Code, including but not limited to, the making of a general offer (subject to, amongst other things, the financial adviser to the Subscriber being satisfied that the Subscriber has sufficient financial resources to satisfy full acceptance of the general offer) and further announcement(s). As at the Latest Practicable Date, the Subscriber has not yet determined whether or not to proceed with the Subscription in the absence of the Whitewash Waiver.

Reasons for the Subscription

As mentioned above, due to the adverse impact of the worldwide 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.

Although the Subscription Price represents a substantial discount to the recent trading price of the Shares and the shareholding of the Existing Shareholders will be significantly diluted as a result of the Completion, the Directors, having taken into account (i) the significant unaudited loss of the Group for the six months ended 30 September 2008; (ii) the persistent deterioration of market conditions; (iii) the urgent need to satisfy the financial obligations of the Company which have become and remained overdue since 1 October 2008; and (iv) the business outlook of the Group, consider that the Subscription will offer an efficient way for the Company to raise capital so as to repay part of the outstanding bank loans in a timely manner and at the same time enlarge the share capital and shareholder base of the Company.

Not only will the Subscription allow the Company to strengthen its financial position and broaden its equity base, but the strong industrial and financial expertise and business network in the manufacturing and retail sectors of the members of the Subscriber are also considered complementary to the experience of the existing management of the Company. Detailed information relating to the background and expertise of the members of the Subscribers are set out in section "Information on the Subscriber" below.

The Directors have considered other alternate methods of equity financing such as rights issue or open offer. Nevertheless, having considered various factors including, among others, the current financial situation of the Company, the viability of different methods of fund raising, the possibility of the existing Shareholders to participate in rights issue or open offer, the possibility of identifying an underwriter for rights issue or open offer and the continuing support from the creditors. The Directors consider that the Subscription is part and parcel of the Restructuring Proposal and is in the interest of Shareholders, the Company and the Creditors.

In view of the Subscriber's strong expertise, and manufacturing and retail business networks, the introduction of the Subscriber is expected to benefit the Company's long-term business development by strengthening the Company's operational and financial management and opening to it more business opportunities in the future.

Accordingly, the Directors consider that the Subscription is in the interests of the Company and the Shareholders as a whole and the terms of the Subscription Agreement are fair and reasonable.

Use of proceeds

A sum of HK$70,000,000 out of the Share Consideration received by the Company shall be made available to the Administrators for distribution to the Scheme Creditors pursuant to the terms of the Scheme. A sum of HK$3,500,000 shall be used by the Company to settle part of the costs, charges, expenses and disbursements incurred up to and including the Effective Date in connection with the negotiation, preparation and implementation of the Scheme, and the remaining balance of HK$10,000,000 shall be retained by the Company, which the Directors intend to use for the general working capital of the Company.

Changes in the Company's shareholding structure

As at the Latest Practicable Date, the Company had a total of 793,016,684 issued Shares and the Company did not have any other Shares, outstanding warrants, options, derivatives or other securities carrying any conversion or subscription rights into Shares.

The following table sets out the existing shareholding structure of the Company and the changes thereto as a result of the allotment and issue of the Subscription Shares:

Name of Shareholders	Existing shareholding		Shareholding immediately after the allotment and issue of the Subscription Shares	
	Number of Shares	*%*	*Number of Shares*	*%*
Success Pioneer and parties acting in concert with it	–	–	7,137,150,000	90.00
Existing Shareholders				
Goodchamp Holdings Limited *(Note)*	278,829,176	35.16	278,829,176	3.52
Public	514,187,508	64.84	514,187,508	6.48
Total	793,016,684	100.00	7,930,166,684	100.00

Note: The interests are held by Goodchamp Holdings Limited, which is 100% owned by Sinowin (PTC) Inc. (formerly known as Sinowin 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 Man Chan ("Dr. Lam") and the discretionary objects of which are Ms. Ting Lai Ling ("Ms. Ting") herself (the wife of Dr. Lam) and the family members (including Mr. Lam Shing Ngai) of both Dr. Lam and Ms. Ting.

As shown in the above shareholding table and save for the entering into of the Subscription Agreement, none of the members of the Concert Group hold any Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into the Shares as at the Latest Practicable Date. Upon Completion, Success Pioneer and parties acting in concert with it will be interested in 7,137,150,000 Shares, representing approximately 90.0% of the enlarged issued share capital of the Company. The Shares to be issued and allotted to Success Pioneer and parties acting in concert with it are not considered to be "in public hands". In order to ensure that immediately after Completion, 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 Subscriber will, subject to and as allowed under the Takeovers Code, arrange for placement to other investors who are independent and not connected with the directors, the chief executives and the substantial shareholders of the Subscriber and the Company and their respective subsidiaries and associates (as defined in the Listing Rules), to be effective immediately after Completion to ensure that there will be sufficient public float in accordance with the Listing Rules.

Financial effects of the Restructuring Proposal

According to the financial information of the Group set out in Appendix I to this circular, the total assets and liabilities of the Scheme Subsidiaries incorporated into the Group' consolidated balance sheets as at 31 March 2009 were approximately HK$1,068,432,000 and HK$1,693,391,000, respectively, representing net liabilities of approximately HK$624,959,000. For each of the two financial years ended 31 March 2008 and 2009, the net loss attributable to the Scheme Subsidiaries amounted to approximately HK$131,768,000 and HK$902,732,000, respectively. Upon Completion, such assets and liabilities of the Scheme Subsidiaries will be removed from the consolidated financial statements of the Company upon the deconsolidation of the Scheme Subsidiaries.

Based on the unaudited pro forma consolidated balance sheet of the Retained Group upon Completion set out in Appendix II to this circular prepared on the assumption that the Restructuring Proposal had been completed on 31 March 2009, the unaudited pro forma equity attributable to the Shareholders in respect of the Retained Group would equal to approximately HK$1,083,000 and the estimated unaudited loss on debt restructuring would equal to approximately HK$100,050,000. Such estimated pro forma loss on debt restructuring of approximately HK$100,050,000 was arrived at in accordance with the principal terms of the Restructuring Proposal which involve, among others, (i) the transfer of the shareholding interests in the Scheme Subsidiaries to the Administrators Vehicle; (ii) the assignment of the amounts owed by the Scheme Subsidiaries to the Retained Group to the Administrators Vehicle; (iii) part of proceeds from the issuance of the Subscription Shares made available to the Administrators; and (iv) the settlement of part of the cost, charges, expenses and disbursements in connection with the Scheme.

Upon Completion, the Scheme Subsidiaries will cease to be subsidiaries of the Company. Prior to Completion, the assets and liabilities of the Scheme Subsidiaries and their operating results will continue to be consolidated into the financial statements of the Company.

BACKGROUND OF THE SUBSCRIBER AND ITS INTENTION REGARDING THE COMPANY

Information on the Subscriber

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 Subscriber is wholly owned by Rainbow Step. The board of directors of each of the Subscriber and Rainbow Step comprises Mr. Yeung, Mr. Lau and Mr. Tam. Save for the entering into of the Subscription Agreement, the Subscriber has not conducted any business activities and has no other assets since its incorporation.

As disclosed in the announcement of the Company dated 30 September 2009, 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 on 25 September 2009; and

(2) 5% out of the 20% interest in Rainbow Step held by McCallum VC as at the date of the Joint Announcement was transferred to Corporate Smart on 25 September 2009.

Accordingly and as at the Latest Practicable Date, Rainbow Step is owned as to 45% by Corporate Smart, as to 30% by Big Trophy, as to 15% by McCallum VC and as to 10% by Best Kingdom.

Corporate Smart is a company incorporated in the British Virgin Islands on 2 January 2009 with limited liability whose principal business is investment holding. Mr. Yeung is the sole director of and sole beneficial owner holding 100% interest in Corporate Smart. Corporate Smart has not conducted any business activities and has no other assets since its incorporation apart from its interest in the Subscriber through Rainbow Step.

Mr. Yeung, has over 20 years experience in trading business of garment accessories related products. Mr. Yeung is currently the head of sales department of one of the well-established and leading garment accessories related products manufacturing companies in the PRC.

Big Trophy is a company incorporated in the British Virgin Islands on 2 January 2009 with limited liability whose principal business is investment holding. Mr. Lau is the sole director of and sole beneficial owner holding 100% interest in Big Trophy. Big Trophy has not conducted any business activities and has no other assets since its incorporation apart from its interest in the Subscriber through Rainbow Step.

Mr. Lau holds both a master degree and a bachelor degree in economics from the London School of Economics and Political Science. Mr. Lau has extensive experience in finance, investment and management. Mr. Lau had worked with several international financial institutions and had also worked as consultant or held in senior management positions for companies in various industries including information technology, tire manufacturing, pharmaceutical and retailing in the PRC and Hong Kong. Mr. Lau is also a Chartered Financial Analyst.

McCallum VC is a company incorporated in the British Virgin Islands on 15 January 2009 with limited liability whose principal business is investment holding. Mr. Tam is the sole director of and sole beneficial owner holding 100% interest in McCallum VC. McCallum VC has not conducted any business activities and has no other assets since its incorporation apart from its interest in the Subscriber through Rainbow Step.

Mr. Tam has over 30 years experience in the business of manufacturing, retailing and trading of a wide range of consumer electronic products in Hong Kong and the PRC. Mr. Tam is one of the founders and currently the director of Citicall Limited which is principally engaged in the retail business of consumer electronic products in Hong Kong.

Best Kingdom is a company incorporated in the British Virgin Islands on 9 April 2009 with limited liability whose principal business is investment holding. Mr. Kuok is the sole director of and sole beneficial owner holding 100% interest in Best Kingdom. Best Kingdom has not conducted any business activities and has no other assets since its incorporation apart from its interest in the Subscriber through Rainbow Step.

Mr. Kuok, aged 59, has over 30 years of extensive experience in business development. He is also executive director of Chevalier International Holdings Limited and Chevalier Pacific Holdings Limited, public companies listed on the Stock Exchange.

Intentions of the Subscriber regarding the Company

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

Proposed changes in Directors

The Board currently consists of eight Directors, comprising five executive Directors, namely, 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, namely, Mr. Ng Chi Yeung, Simon, Mr. Tam Yuk Sang, Sammy and Mr. Ho Lok Cheong.

The Subscriber has no intention to make major changes to the employees of the Retained Group save for possible change in the composition of the Board. Further announcements will be made by the Company as to any changes in the composition of the Board as and when approximate and in compliance with the relevant requirements of the Listing Rules and the Takeovers Code.

MAINTAINING THE LISTING STATUS OF THE COMPANY

It is the intention of the Subscriber to maintain the listing status of the Company on the Stock Exchange after Completion. **The Stock Exchange has stated that if, at the Completion, less than 25% of the Shares are held in public hands or if the Stock Exchange believes that (i) a false market exists or may exist in the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares. Each of the Subscriber, the existing Directors and the new Directors to be appointed to the Board will undertake to the Stock Exchange to take appropriate steps as soon as possible following the Completion to ensure that not less than 25% of the Shares will be held by the public.**

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.

REGULATORY IMPLICATIONS

Takeovers Code

Upon Completion, the Subscriber will hold approximately 90.0% of the enlarged issued share capital of the Company and this will give rise to (in the absence of the Whitewash Waiver) an obligation for the Subscriber to make a mandatory offer for the Shares (not already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code. An application has been made by the Subscriber to the Executive for the Whitewash Waiver which, if granted, will be subject to the approval by the Independent Shareholders by way of a poll at the SGM. The Executive has indicated that the Whitewash Waiver will be granted and will be conditional upon, among other things, the approval of the Independent Shareholders at the SGM. Immediately upon Completion, the shareholding of the Subscriber will exceed 50% of the then issued share capital of the Company and none of the individual beneficial owners of the Subscriber will directly hold 50% or more of the then issued share capital of the Company. Given that any individual beneficial owners of the Subscriber will effectively hold less than 50% of the then issued share capital of the Company, any further direct or indirect acquisition of the Shares by any of them may trigger an obligation to make a mandatory general offer under Rule 26.1 of the Takeovers Code, unless a waiver from the Executive is granted.

As at the Latest Practicable Date, the Concert Group did not hold any shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of the securities in the Company. The Concert Group did not dealt for value in any shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of the securities in the Company during the Relevant Period. As at the Latest Practicable Date, there was no agreement, arrangement or understanding between the Concert Group and other persons in relation to the transfer, charge or pledge of the Subscription Shares to be issued to the Subscriber.

In accordance with Rule 25 of the Takeovers Code, if there is any Scheme Creditor who is a Shareholder and holds the relevant Shares as beneficial owner, the transactions contemplated under the Group Reorganisation may constitute a special deal and will comply with relevant requirements under the Takeovers Code and the relevant Scheme Creditor(s) will be required to abstain from voting at the SGM. As at the Latest Practicable Date, the Company is not aware of any existence of its creditors who beneficially own any Shares.

SGM

The SGM is convened to consider and, if thought fit, approve the Restructuring Proposal, the Whitewash Waiver and the transactions contemplated thereunder. A notice of the SGM is set out on pages 160 to 165 of this circular.

Under the Takeovers Code, the Concert Group shall not acquire or dispose of any Shares until Completion, and hence the Concert Group is not entitled to vote on any resolutions at the SGM. Only Shareholders who do not have a material interest in the Subscription will vote on the resolutions to approve the Capital Reorganisation, the Group Reorganisation and the Subscription Agreement and only the Independent Shareholders will vote on the resolution to approve the Whitewash Waiver at the SGM. Since there are no Shareholders who have a material interest in the Subscription, no Shareholders are required to be abstained from voting in respect of the resolutions to approve the Capital Reorganisation, the Group Reorganisation and the Subscription Agreement at the SGM. As regards the Whitewash Waiver, since Dr. Lam Man Chan was involved in the discussion and negotiation of the Subscription Agreement, Dr. Lam Man Chan and parties acting in concert with him will abstain from voting in respect of the resolution to approve the Whitewash Waiver at the SGM.

RECOMMENDATION

The Board considers that the terms of the Restructuring Proposal, the Whitewash Waiver and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of the relevant Resolutions to be proposed at the SGM.

In addition, your attention is drawn to the letter from the Independent Board Committee set out on pages 27 to 28 of this circular which contains its recommendation to the Independent Shareholders in respect of the Restructuring Proposal, the Whitewash Waiver and the transactions contemplated thereunder, and the letter from Quam Capital Limited set out on pages 29 to 43 of this circular which contains its recommendation and opinions in respect of the Restructuring Proposal, the Whitewash Waiver and the transactions contemplated thereunder and the principal factors and reasons taken into consideration.

ADDITIONAL INFORMATION

Your attention is also drawn to the information contained in the appendices to this circular and the notice of the SGM.

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

NGAI LIK INDUSTRIAL HOLDINGS LIMITED
(毅力工業集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 332)

30 September 2009

To the Independent Shareholders

Dear Sir or Madam,

RESTRUCTURING PROPOSAL INVOLVING, INTER ALIA, CAPITAL REORGANISATION, GROUP REORGANISATION AND DEBT RESTRUCTURING INVOLVING CREDITORS' SCHEME OF ARRANGEMENT, SUBSCRIPTION FOR NEW SHARES AND WHITEWASH WAIVER

INTRODUCTION

We refer to the circular dated 30 September 2009 of Ngai Lik Industrial Holdings Limited (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you as to whether the terms of the Restructuring Proposal, the Whitewash Waiver and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned; whether the Restructuring Proposal, the Whitewash Waiver and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole; and whether the Independent Shareholders should vote in favour of the resolutions to approve the Restructuring Proposal, the Whitewash Waiver and the transactions contemplated thereunder at the SGM.

Quam Capital Limited has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to opine on whether the terms of the Restructuring Proposal, the Whitewash Waiver and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned; whether the Restructuring Proposal, the Whitewash Waiver and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole; and whether the Independent Shareholders should vote in favour of the resolutions to approve the Restructuring Proposal, the Whitewash Waiver and the transactions contemplated thereunder at the SGM.

* *For identification purposes only*

We wish to draw your attention to the letter from Quam Capital Limited set out on pages 29 to 43 of the Circular which contain, among other things, its advice and recommendations to us regarding the Restructuring Proposal, the Whitewash Waiver and the transactions contemplated thereunder and the principal factors and reasons taken into consideration for its advice and recommendations.

RECOMMENDATION

Having taken into account the advice and recommendations of Quam Capital Limited and the principal factors and reasons taken into consideration by it in arriving at its opinion, we consider that the Restructuring Proposal, the Whitewash Waiver and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and the Restructuring Proposal, the Whitewash Waiver and the transactions contemplated thereunder are in the interests in the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant Resolutions to be proposed at the SGM to approve the Restructuring Proposal, the Whitewash Waiver and the transactions contemplated thereunder.

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**

Independent Non-executive Directors

The following is the text of a letter of advice from Quam Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Restructuring Proposal and the Whitewash Waiver.

Quam CAPITAL 華富嘉洛企業融資

30 September 2009

The Independent Board Committee and
the Independent Shareholders

Dear Sir/Madam,

RESTRUCTURING PROPOSAL
INVOLVING, INTER ALIA, CAPITAL REORGANISATION,
GROUP REORGANISATION AND DEBT RESTRUCTURING INVOLVING
CREDITORS' SCHEME OF ARRANGEMENT,
SUBSCRIPTION FOR NEW SHARES AND WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Restructuring Proposal and the Whitewash Waiver. Details of the transactions are set out in the "Letter from the Board" contained in the circular dated 30 September 2009 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular, unless the context otherwise requires.

Mr. Ng Chi Yeung, Simon, Mr. Tam Yuk Sang, Sammy and Mr. Ho Lok Cheong, the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Restructuring Proposal and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

Quam Capital Limited is independent of and not connected with any members of the Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates, and is accordingly qualified to give an independent advice in respect of the Restructuring Proposal and the Whitewash Waiver.

In formulating our recommendation, we have relied on the information and facts supplied by the Company, and the opinions expressed by and the representations of the directors and the management of the Company. We have assumed that all the information and representations contained or referred to in the Circular were true and accurate in all respects at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time that they were made and continue to be true until the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, and the Directors have confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group.

Principal factors and reasons considered

In arriving at our recommendation, we have taken into consideration the following principal factors and reasons:

A. Background to and reasons for the Restructuring Proposal

A.1 Background to the Restructuring Proposal

It was stated in the annual report of the Company for the year ended 31 March 2008 that one of the Group's strategic initiatives was to reduce the Group's financial gearing and finance cost. As disclosed in the circular issued by the Company dated 13 August 2008, the Group entered into a sale and purchase agreement for the disposal of Dongguan Industrial City for a consideration of HK$230.0 million. The net proceeds of the aforesaid disposal were intended to be applied to repay certain bank borrowings, to release the related mortgage on certain buildings in the Dongguan province and for general working capital of the Group. However, the purchaser was not able to make the balance payments of HK$67.0 million and HK$100.0 million which were due in January 2009 and June 2009 respectively. The Group has made formal demands thereon. Up to the Latest Practicable Date, the Group had not received the payments.

On 6 January 2009, the Company issued an announcement to clarify the Incident, which involved newspaper articles reporting that certain suppliers of Weeteck Limited (formerly known as Ngai Lik Mobile Electronics Limited), a subsidiary of the Company, seeking settlement of the amounts due to them and the lay-off of workers of Weeteck Limited. In view of the rapid and continuing deterioration of the business of the mobile division, the Group decided to restructure the division's operations. On 27 April 2009, the Company announced that liquidation of Weeteck Limited was approved by its creditors.

As disclosed in the Company's announcement dated 6 January 2009, the Group has breached the repayment terms of certain banking facilities as certain loan repayments in the aggregated sum of approximately HK$50.0 million have become overdue mainly since December 2008. Out of these overdue loan repayments, the Group has received approximately HK$5.7 million of written payment demand/written reminder from its bankers as at the date of the aforesaid announcement. In order to alleviate the pressure of immediate repayment of loans owed to the bank creditors in Hong Kong, the Group has entered into negotiations with banks and obtained an informal standstill since December 2008 and a formal standstill was obtained on 13 July 2009.

Pursuant to the standstill letter dated 13 July 2009, the Group's banks agreed not to make demand or take any action to enforce the payment of monies under any of their existing banking facilities. The standstill letter is without prejudice to any of the banks' rights to withdraw at any time from discussions with the Group on any restructuring and upon such withdrawal, any bank is entitled to make demand and enforce any of its rights under the existing facilities and any bank can request the security trustee to enforce the debentures. On the same day, the Company and its subsidiaries also executed a deed of undertaking under which each of them have irrevocably given certain positive and negative undertakings to the Group's banks, among other things, to execute or procure the execution of the remainder of the scheme security which includes the assignment of indebtedness, debenture, share charge, pledge of equity interest and/or corporate guarantee, in favour of Hongkong and Shanghai Banking Corporation Limited acting as security trustee on behalf of Group's banks involved.

A.2 Financial information of the Group

Set out in the table below is a summary of the audited financial information of the Group for the three years ended 31 March 2009:

	Year ended 31 March		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	3,497,033	2,508,093	1,538,272
Gross (loss) profit	163,202	132,513	(135,690)
Profit (loss) before taxation	43,434	(151,316)	(847,288)
Profit (loss) attributable to the Shareholders	13,082	(136,551)	(916,328)

	As at 31 March		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	2,328,924	2,219,737	1,071,088
Total liabilities	(1,248,045)	(1,281,756)	(1,052,435)
	1,080,879	937,981	18,653
Equity attributable to the Shareholders	1,076,859	933,961	17,633
Minority interests	4,020	4,020	1,020
Total equity	1,080,879	937,981	18,653

Source: Financial information of the Group as set out in Appendix I to the Circular

Year ended 31 March 2008 compared to year ended 31 March 2007

For the year ended 31 March 2008, the Group's turnover was approximately HK$2,508.1 million, representing a decrease of approximately HK$988.9 million from HK$3,497.0 million for the year ended 31 March 2007 which was mainly attributable to the reduction in sales of low profitability products.

The Group recognised net loss on investment properties of approximately HK$78.1 million for the year ended 31 March 2008 whereas net gain of approximately HK$57.5 million for the year ended 31 March 2007. This primarily contributed to the Group's loss of approximately HK$136.6 million for the year ended 31 March 2008 as compared to profit of approximately HK$13.1 million for the year ended 31 March 2007.

Year ended 31 March 2009 compared to year ended 31 March 2008

The turnover of the Group fell by approximately HK$969.8 million for the year ended 31 March 2009 as compared to the previous year. The fall in turnover was mainly attributable to the negative impact of the global financial crisis which resulted in drastic decline in demand for consumer electronics products. Furthermore, the Group recorded a gross loss of approximately HK$135.7 million for the year ended 31 March 2009 due to various factors including: i) high level of overheads resulting from sub-optimal production scale; and ii) increase in royalties and impairment loss on inventories mainly resulting from cessation of production of unprofitable product lines. In addition, redundancy payments for the lay-off of workers and provision were made for PRC employee termination benefits. During the year ended 31 March 2009, the headcounts of the Group reduced from about 12,200 to about 6,000, as a result of the closure of certain operations and downsizing.

Gross loss of approximately HK$135.7 million for the year ended 31 March 2009 as compared to gross profit of approximately HK$132.5 million in the previous year and also an increase in impairment loss on property, plant and equipment by approximately HK$400.7 million contributed to the substantial increase in loss of the Group by 6.7 times from approximately HK$136.6 million for the year ended 31 March 2008 to approximately HK$916.3 million for the year ended 31 March 2009.

The Group's gearing ratio (defined as total borrowings and obligations under finance leases to total equity) worsened radically in 2009 as compared to the preceding two years. The Group's gearing ratio was 31.0 times as at 31 March 2009 as compared to 0.90 and 0.66 as at 31 March 2008 and 31 March 2007 respectively. Furthermore, as at 31 March 2009, while the bank balances and cash of the Group amounted to approximately HK$33.2 million, its bank and other borrowings (including bank borrowings related to assets held for sale of approximately HK$45.5 million and bank overdraft of approximately HK$1.8 million) that were due within one year amounted to approximately HK$574.1 million in aggregate. It is noted that the Group generated net cash from operating activities of approximately HK$152.0 million for the year ended 31 March 2009. As such, it is unlikely that the Group could repay its short-term bank and other borrowings from its internal resources and cash flow generated from its existing operations.

A.3 Reasons for the Restructuring Proposal

As stated in the "Letter from the Board" in the Circular, the Board considers that the Restructuring Proposal will enable the Group to deal with its indebtedness in a formal and orderly manner so that, so far as the Company is concerned, the Claims will be released and discharged. If the Restructuring Proposal is not successfully implemented, it is likely that the Scheme Creditors will take legal actions against the Company for any recovery of the amounts due and the Company may be put into liquidation as a result of such legal actions. In such event, it is unlikely that the Independent Shareholders would be able to recover any of their investment in the Company from a distribution of assets in view of the net asset value of the Group was only HK$18.7 million as at 31 March 2009 and the assets will be subject to force sale.

In light of the above, we are of the view that it is necessary for the Company to implement measures to repay or restructure its outstanding indebtedness. We consider that debt restructuring is crucial to the Group's survival. As at the Latest Practicable Date, we were advised that the Restructuring Proposal represents the only restructuring proposal currently available. There is no certainty that another restructuring proposal could be concluded in a timely manner. As such, we consider that the Restructuring Proposal is in the interests of the Company and the Shareholders as a whole.

B. The Restructuring Proposal

The Restructuring Proposal comprises, among other things, the Capital Reorganisation, the Group Reorganisation, the Scheme, the Subscription and the Whitewash Waiver.

B.1 The Capital Reorganisation

Pursuant to the Capital Reorganisation, the share capital of the Company will be restructured in the following manner:

(i) the Capital Reduction where the par value of each existing Share will be reduced from HK$0.10 to HK$0.01 by the cancellation of HK$0.09 of the paid-up capital on each existing Share;

(ii) sub-division where each of the authorised but unissued Share in the capital of the Company of par value HK$0.10 will be sub-divided into 10 Shares of par value HK$0.01 each; and

(iii) the authorised share capital of the Company immediately after the Capital Reorganisation becoming effective will be HK$120,000,000 divided into 12,000,000,000 Shares of par value of HK$0.01 each of which 793,016,684 Shares will have been issued and fully paid up before the allotment of the Subscription Shares.

The new Shares after the Capital Reorganisation will be identical and rank pari passu in all respects with each other and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders.

Pursuant to the Companies Act, the minimum price at which a new Share can be issued is its par value. It is noted that the Directors consider that it is not realistic for such a minimum issue price for the Shares to be achieved in light of the Company's current financial condition. We, therefore, concur with the Directors' view that the Capital Reduction will facilitate future fund raising exercises by the Company through the issuance of new Shares.

It is noted that the approval of the Capital Reorganisation is one of the conditions of the Subscription Agreement. As such, the Capital Reorganisation forms an integral part of the Restructuring Proposal.

Furthermore, we were advised by the Company that the credit balance of approximately HK$71.4 million arising from the Capital Reduction will partially reduce the accumulated losses recorded by the Company.

Given the aforesaid, we are of the view that the Capital Reorganisation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

B.2 The Scheme

(i) The Scheme

Pursuant to the Scheme, all Claims will be released and discharged in full in return for:

a) a cash payment of HK$70.0 million (which is funded by the Company out of the proceeds of the Subscription);

b) 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;

c) any realisations of the Scheme Subsidiaries and/or their assets to be made in accordance with the terms of the Scheme; and

d) 30% of net profit after tax (if any) generated from the Retained Subsidiaries on a combined basis from the Effective Date to 31 March 2013 pursuant to the Profit Sharing Arrangement.

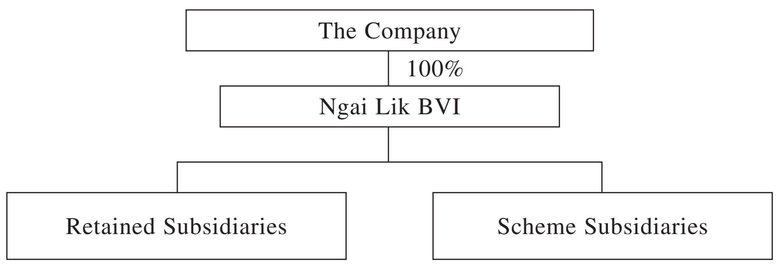
As set out in the "Letter from the Board" in the Circular, pursuant to the Scheme, any interests in the assets and businesses of the Administrators Vehicle and its subsidiaries, after the discharge of the Admitted Claims and the indebtedness of the Scheme Subsidiaries and other liabilities (if any), will be held by the Administrators for the benefit of the Existing Shareholders. The Administrators will orderly realise the assets and businesses of the Scheme Subsidiaries and apply the proceeds to pay dividend to the Scheme Creditors. The duration of the Scheme is expected to commence from the Effective Date and end on 31 March 2013.

(ii) *The Group Reorganisation*

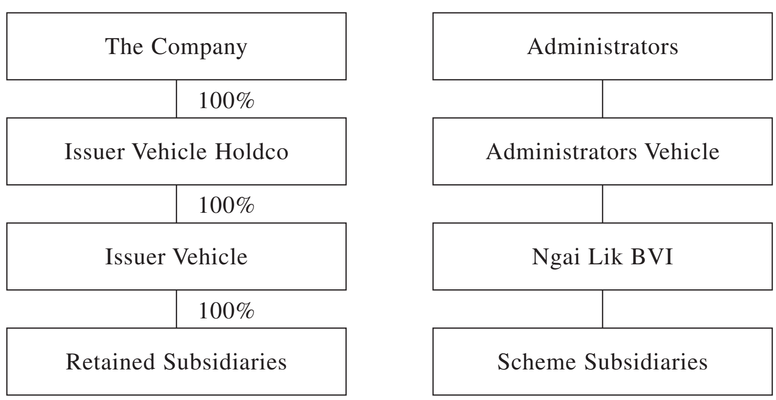
The purpose of the Group Reorganisation is to facilitate the implementation of the Scheme so that the existing indebtedness of the Company will be restructured.

Upon completion of the Group Reorganisation, the Group will be split into the Retained Group and the companies held by the Administrators. Set out below are charts illustrating the corporate structure as at the Latest Practicable Date and immediately upon completion of the Group Reorganisation:

As at the Latest Practicable Date:



Immediately upon completion of the Group Reorganisation:



Source: *Announcement of the Company dated 24 February 2009*

The Scheme Subsidiaries

As illustrated in the diagram above, upon completion of the Group Reorganisation, Ngai Lik BVI, which holds the Scheme Subsidiaries, will be transferred to the Administrators Vehicle, which in turn is controlled by the Administrators.

We were advised by the Company that the principal activities of the Scheme Subsidiaries mainly include manufacturing and sale of electronic products and also property investment.

Pursuant to the financial information of the Group set out in Appendix I to the Circular, the Scheme Subsidiaries incurred loss of approximately HK$902.7 million for the year ended 31 March 2009. Net liabilities of the Scheme Subsidiaries amounted to approximately HK$625.0 million as at 31 March 2009.

Upon completion of the Group Reorganisation, Ngai Lik BVI and the Scheme Subsidiaries will cease to be subsidiaries of the Company. As such, the financial results of the Scheme Subsidiaries will cease to be consolidated into the financial statements of the Group after completion of the Group Reorganisation.

The Retained Subsidiaries

The existing principal businesses of the Group involve the design, manufacture and sale of electronic products and property investment. Following Completion, the Retained Group will continue its existing principal businesses except its manufacturing activities will be carried out under processing arrangements.

We were advised by the Company that the principal activities of the Retained Subsidiaries will be sale and contract-manufacturing processing of electronic products which involves the procurement of raw materials, providing technical expertise, management and design on the finished products. The Retained Group will procure those activities in relation to the manufacture of its products from independent processing agents (including but not limited to certain Scheme Subsidiaries) through certain processing agreements or contracts.

All existing properties of the Group are held by those subsidiaries of the Company which will be the Scheme Subsidiaries and that one of such subsidiaries is also currently the employer of the majority of the Group's staff in the PRC. As such, the Directors propose that subject to the negotiations between the relevant parties and the approval by the Administrators, the Retained Subsidiaries may enter into certain transactions with those Scheme Subsidiaries in relation to the leasing of properties, the leasing of machineries and sub-contracting services following Completion. The Directors are of the view that the transactions to be carried between the Retained Group and the Scheme Subsidiaries following Completion, if any, will be conducted in the ordinary and usual course of business of the Retained Group and on normal commercial terms.

As the Group's manufacturing arm will be transferred to the Scheme Administrators upon completion of the Group Reorganisation, the impact of such arrangement on future operations and financial results of the Retained Group cannot be ascertained at this stage.

(iii) Inter-company debts

All inter-company debts within the Group will be settled or assigned out of the Group before the Effective Date, except that (i) the debts owed by a Retained Subsidiary to the Scheme Subsidiaries will continue in effect after the Effective Date, provided that the listing status of the Company will not be affected by such Retained Subsidiary's repayment of those debts owed to the Scheme Subsidiaries; and (ii) the debts owed by a Retained Subsidiary to the Company will continue in effect after the Effective Date.

On the basis that it is necessary for the Company to implement measures to repay or restructure its outstanding indebtedness given its financial difficulties, and upon completion of the Scheme, all Claims will be released and discharged so far as the Company is concerned, we are of the view that the terms of the Scheme are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

B.3 The Subscription Agreement

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for the Subscription Shares at the Share Consideration.

(i) The Subscription Price

The Subscription Price of approximately HK$0.012 per new Share represents:

- 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;
- 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;
- 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; and
- a discount of approximately 89.1% to the closing price of approximately HK$0.11 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As set out in the "Letter from the Board" in the Circular, the Subscription Price was determined by the Company and the Subscriber on an arm's length basis having taken into account, among other things, i) the significant unaudited loss of the Group for the six months ended 30 September 2008; ii) the then persistent deterioration of market conditions; iii) the urgent need to satisfy the Company's financial obligations which have become and remained overdue since 1 October 2008; and iv) the business outlook of the Group.

As the Subscription is conditional on the completion of the Group Reorganisation and the Scheme Subsidiaries will be transferred to the Administrators Vehicle pursuant to the Scheme, we consider that it is inappropriate to compare the Subscription Price with the historical consolidated net assets value of the Group. Based on the pro forma financial information set out in Appendix II to the Circular, the unaudited pro forma net assets of the Retained Group would have been approximately HK$1.1 million assuming that Completion had taken place on 1 April 2009. For illustration purpose, the Subscription Price represents a premium of about 86.5 times to the unaudited pro forma net assets of the Retained Group of approximately HK$0.00014 per Share.

Given i) the financial difficulties faced by the Group; and ii) the Subscription Price represents a significant premium over the Retained Group's unaudited pro forma net assets value per Share, we consider that the discount to the recent Share price is acceptable.

(ii) Use of proceeds

Pursuant to the Subscription Agreement, a sum of HK$70,000,000 out of the Share Consideration received by the Company shall be made available to the Administrators Vehicle for distribution to the Scheme Creditors pursuant to the Scheme, a sum of HK$3,500,000 shall be used by the Company to settle part of the costs, charges, expenses and disbursements incurred up to and including the Effective Date in connection with the negotiation, preparation and implementation of the Scheme, and the remaining balance of HK$10,000,000 shall be retained by the Company, which the Directors intend to use for the general working capital of the Company.

As discussed in the section headed "Background to and reasons for the Restructuring Proposal" above, we consider that it is necessary for the Company to implement measures to repay or restructure its outstanding indebtedness. The Subscription will allow the Company to raise capital to repay part of the outstanding indebtedness, which is one of the terms of the Scheme. Furthermore, Completion and the Scheme being effective are inter-conditional upon each other. Therefore, the Subscription is part and parcel of the Restructuring Proposal.

(iii) Dilution effect on the shareholding interests of the Shareholders

We noted from the "Letter from the Board" in the Circular that the Directors have considered other alternate methods of equity financing such as rights issue or open offer. Nevertheless, having considered various factors including, among others, the current financial situation of the Company, the viability of different methods of fund raising, the possibility of the existing Shareholders to participate in a rights issue or an open offer, the possibility of identifying an underwriter for a rights issue or an open offer and the continuing support from the Creditors, the Directors consider that the Subscription is part and parcel of the Restructuring Proposal and is in the interests of Shareholders, the Company and the Creditors.

Set out below is the shareholding table of the Company as at the Latest Practicable Date and immediately after Completion:

	Existing shareholding		**Shareholding immediately after Completion**	
	Number of Shares	*%*	*Number of Shares*	*%*
Concert Group	–	–	7,137,150,000	90.00
Goodchamp Holdings Limited	278,829,176	35.16	–	–
Public:				
– Goodchamp Holdings Limited	–	–	278,829,176	3.52
– Other existing Shareholders	514,187,508	64.84	514,187,508	6.48
	514,187,508	64.84	793,016,684	10.00
Total	793,016,684	100.00	7,930,166,684	100.00

As a result of the issue of new Shares to the Subscriber, the Concert Group will hold 7,137,150,000 Shares immediately after Completion, representing 90.0% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. Consequently, the shareholding interests of all Shareholders will be substantially diluted to approximately 10.0%.

In order to ensure that immediately after Completion, the Shares held in public hands will not be less than 25% of the Company's issued ordinary share capital, the Subscriber will, subject to and as allowed under the Takeovers Code, arrange for placement to other investors who are independent and not connected with the directors, the chief executives and the substantial shareholders of the Subscriber and the Company and their respective subsidiaries and associates (as defined in the Listing Rules) to be effective immediately after Completion to ensure that there will be sufficient public float in accordance with the Listing Rules.

We consider that it is reasonable for an investor such as the Subscriber to make it a prerequisite for injection of new equity into a company in serious financial difficulty to obtain a high degree of control over it. As such and in view of the current financial difficulties faced by the Group, we are of the view that the magnitude of the dilution in the Shareholders' interest in the Company is acceptable.

Based on the aforesaid, we consider that the terms of the Subscription Agreement are fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole.

B.4 Whitewash Waiver

Upon Completion, the Concert Group will hold approximately 90.0% of the enlarged issued share capital of the Company. Pursuant to Rule 26 of the Takeovers Code, the Concert Group will, in the absence of the Whitewash Waiver, be required to make a mandatory offer for all the issued Shares (not already owned or agreed to be acquired by the Concert Group).

As set out in the "Letter from the Board" in the Circular, Completion is conditional upon, among other things, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM. In the event that the Subscriber waives the satisfaction of condition precedent in relation to the Whitewash Waiver and elects to proceed with the Subscription, the Subscriber will comply with all the relevant requirements under the Takeovers Code, including but not limited to, the making of a general offer (subject to, among other things, the financial adviser to the Subscriber being satisfied that the Subscriber has sufficient financial resources to satisfy full acceptance of the general offer) and further announcement(s).

The Executive has indicated that the Whitewash Waiver will be granted and will be conditional upon, among other things, the approval of the Independent Shareholders at the SGM. Immediately upon Completion, the shareholding of the Subscriber will exceed 50% of the then issued share capital of the Company and none of the individual beneficial owners of the Subscriber will directly hold 50% or more of the then issued share capital of the Company. Given that any individual beneficial owners of the Subscriber will effectively hold less than 50% of the then issued share capital of the Company, any further direct or indirect acquisition of the Shares by any of them may trigger an obligation to make a mandatory general offer under Rule 26.1 of the Takeovers Code, unless a waiver from the Executive is granted.

As mentioned above, the approval of the Whitewash Waiver by the Independent Shareholders is a condition to precedent to Completion. The Subscriber has not yet determined whether or not to proceed with the Subscription in the absence of the Whitewash Waiver. Accordingly, in the event that the Whitewash Waiver is not approved by the Independent Shareholders at the SGM and that the Subscriber decides not to waive the condition precedent in relation to the Whitewash Waiver, the Restructuring Proposal will not proceed.

In view of the Restructuring Proposal is in the interests of the Company and the Shareholders as a whole and that the approval of the Whitewash Waiver is a condition of the Subscription Agreement, we are of the view that the Whitewash Waiver is fair and reasonable.

C. Financial impacts of the Restructuring Proposal on the Group

C.1 Net assets and net current assets

According to the unaudited pro forma consolidated balance sheet of the Retained Group set out in Appendix II to the Circular, the net assets of the Group would have amounted to approximately HK$1.1 million as compared to the consolidated net assets of the Group of approximately HK$18.7 million as at 31 March 2009. However, we note that the Retained Group would have had an unaudited pro forma net current assets of approximately HK$0.8 million. This represents a substantial improvement from the Group's net current liabilities of approximately

HK$512.0 million as at 31 March 2009. Given the liquidity problem of the Group, the Group may go into liquidation. As such, we consider that implementation of the Restructuring Proposal will improve the financial position of the Group in this regard.

C.2 Indebtedness

As at 31 August 2009, the Group had outstanding bank and other borrowings of approximately HK$523.1 million. In view of the financial difficulties of the Group, the Group would not be in a position to repay its outstanding indebtedness.

Upon completion of the Restructuring Proposal, the entire indebtedness of the Company will be discharged in full by way of the Scheme. Furthermore, the Group's gearing ratio (defined as total borrowings and obligations under finance leases divided by total equity) reached 31.0 times as at 31 March 2009. Based on the unaudited pro forma consolidated balance sheet of the Retained Group, the Group's gearing ratio would have improved significantly to 0.09 times had the Restructuring Proposal taken place on 31 March 2009. The Retained Group will benefit from its reduced indebtedness through lower interest expense burden and easier access to raise funds by way of bank or other borrowings in the future.

C.3 Working capital

As mentioned in the sub-section headed "use of proceeds" under the section headed "The Subscription Agreement" above, approximately HK$10.0 million of the Subscription proceeds will be retained by the Company for general working capital of the Group.

As at 31 March 2009, the Group had bank balances and cash of approximately HK$33.2 million and net current liabilities of approximately HK$512.0 million. As such, the Group has a severe cash flow problem that has a material adverse impact on its business operations.

Based on the unaudited pro forma consolidated balance sheet set out in Appendix II to the Circular, the Retained Group would have net current assets of approximately HK$0.8 million and bank balances and cash of approximately HK$11.5 million, which would mainly be from the proceeds of the Subscription. Therefore, we consider that the Group's working capital position will be improved in this regard. It is further noted that, the Directors are of the opinion that, upon successful implementation of the Restructuring Proposal, after taking into account the financial resources, including part of the Subscription proceeds and its internally generated funds arising from the future business model as set out in the sections headed "Use of proceeds" and "The future business model of the Retained Group" respectively in the "Letter from the Board" of the Circular, the Retained Group has sufficient working capital to meet its present requirements.

C.4 Operating results

(i) Historical results

Based on the unaudited pro forma consolidated income statement set out in Appendix II to the Circular, the Retained Group's gross loss and loss for the year would have been approximately HK$4.2 million and approximately HK$1,020.3 million respectively if completion of the Restructuring Proposal had taken place on 1 April 2008. Out of the loss of approximately HK$1,020.3 million, approximately HK$1,006.7 million was loss on debt restructuring. In addition, it is noted that other operating income including non-recurring income of approximately HK$54.0 million arising from the gain from the settlement of payables owed by a scheme subsidiary at a discount by a retained subsidiary and the reversal of inter-company transactions between the Retained Group and the Scheme Subsidiaries.

As the Group's manufacturing arm will be transferred to the Scheme Administrators upon completion of the Group Reorganisation, historical results of the Retained Group may or may not be a good indicator of its future operating performance.

The future intentions of the Subscriber in respect of the business of the Group are set out in the section headed "Future prospects of the Group" below.

(ii) Profit Sharing Arrangement

Pursuant to the Scheme, for i) the period commencing on (and including) the Effective Date and ending on 31 March 2010; ii) the year ending 31 March 2011; iii) the year ending 31 March 2012; and iv) the year ending 31 March 2013, 30% of net profits after tax (if any) on a combined basis shall be paid by the Retained Subsidiaries to the Administrators Vehicle within one month from the ending date of the relevant period, subject always to the condition that the listing status of the Company will not be affected by the making of such payment.

The Company will not be a party to the deed giving effect to the Profit Sharing Arrangement and hence the Company will not assume any obligations (financial or otherwise) of any Retained Subsidiaries under the Profit Sharing Arrangement.

Shareholders should note that the Profit Sharing Arrangement will affect the profitability of the Retained Subsidiaries from the Effective Date to 31 March 2013 as 30% of the net profit after tax (if any) of the Retained Subsidiaries on a combined basis will be transferred to the Administrators. It is noted that the Subscriber will explore other business or investment opportunities in enhancing the Retained Group's future business development and strengthening its revenue base. As such, the magnitude of the Profit Sharing Arrangement on the financial performance of the Company and its then subsidiaries as a whole cannot be ascertained at this stage.

D. Future prospects of the Group

We noted from the ”Letter from the Board” in the Circular that it is the intention of the Subscriber, that following Completion, the Retained Group will continue with its existing principal activities. The Subscriber will conduct a detailed review of the business and operations of the Retained Group in order to formulate long term strategy for the Retained Group and explore other business or investment opportunities in enhancing its future business development and strengthening its revenue bases. The Retained Group will continue to seek new opportunities to improve its profitability and prospects, and may diversify into other business should suitable opportunities arise. Other than the aforesaid, the Subscriber currently has no definite plan regarding the development of the Group’s business. Taking into account i) the Group’s working capital position is expected to improve upon completion of the Restructuring Proposal; and ii) the successful implementation of the Restructuring Proposal will discharge all indebtedness of the Company, we are of the view that the implementation of the Restructuring Proposal will provide the Retained Group with a better base to develop its business operations in the future.

Recommendation

Having considered the principal factors and reasons as discussed above, and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- it is necessary for the Company to implement measures to repay or restructure its outstanding indebtedness;
- the Restructuring Proposal represents the only restructuring proposal currently available; and
- all the indebtedness due to the Creditors will be discharged upon completion of the Restructuring Proposal and hence remove the risk of the Company being wound up,

we are of the view that the terms of the Restructuring Proposal and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Restructuring Proposal and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Noelle Hung
Director

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

The following is the text of the accountants' report (the "Accountants' Report) on the financial information of the Group for each of the three financial years ended 31 March 2009 which is prepared by Deloitte Touche Tohmatsu for inclusion in this circular. 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 Group in respect of each of the three financial years ended 31 March 2009.

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
Denca Industrial Limited	4, 5, 6	Hong Kong	Hong Kong	7 June 2000	HK$2	100*	100*	100*	100*	Inactive

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 2007	2008	2009	At report date	Principal activities
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
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

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 2007	2008	2009	At report date	Principal activities
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
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

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		
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
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

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 2007	2008	2009	At report date	Principal activities
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

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 2007	2008	2009	At report date	Principal activities
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

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 2007	2008	2009	At report date	Principal activities
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

		Year ended 31 March		
		2007	**2008**	**2009**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations				
Turnover	6	3,497,033	2,508,093	1,538,272
Cost of sales and direct expenses		(3,333,831)	(2,375,580)	(1,673,962)
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		574	–	–
Profit (loss) before taxation	8	43,434	(151,316)	(847,288)
Taxation (charge) credit	9	(22,086)	20,328	15,893
Profit (loss) for the year from continuing operations		21,348	(130,988)	(831,395)
Discontinued operation				
Loss for the year from discontinued operation	12	(8,266)	(5,563)	(84,933)
Profit (loss) for the year		13,082	(136,551)	(916,328)
Attributable to:				
Equity holders of the Company		13,082	(136,551)	(916,328)
Minority interests		–	–	–
		13,082	(136,551)	(916,328)
Dividend				
– Interim, paid	13	7,930	7,930	–
Earnings (loss) per share				
From continuing and discontinued operations				
– basic and diluted	14	HK$1.6 cents	(HK17.2 cents)	(HK115.5 cents)
From continuing operations				
– basic and diluted		HK$2.7 cents	(HK16.5 cents)	(HK104.8 cents)

CONSOLIDATED BALANCE SHEETS

		As at 31 March		
		2007	**2008**	**2009**
	Notes	*HK$'000*	*HK$'000*	*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
		1,472,268	1,359,595	558,392
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
		856,656	860,142	282,696
Assets classified as held for sale	23	–	–	230,000
		856,656	860,142	512,696
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
		890,245	923,659	916,271
Liabilities associated with assets classified as held for sale	23	–	–	108,454
		890,245	923,659	1,024,725
Net current liabilities		(33,589)	(63,517)	(512,029)
Total assets less current liabilities		1,438,679	1,296,078	46,363

		As at 31 March		
		2007	**2008**	**2009**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
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	72,524	50,059	26,956
		357,800	358,097	27,710
Net assets		1,080,879	937,981	18,653
Capital and reserves				
Share capital	29	79,302	79,302	79,302
Reserves		997,557	854,659	(61,669)
Equity attributable to equity holders of the Company		1,076,859	933,961	17,633
Minority interests		4,020	4,020	1,020
Total equity		1,080,879	937,981	18,653

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	79,302	82,844	17,460	–	1,583	(163,556)	17,633	1,020	18,653

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
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
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

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

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 straight-line 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		
	EMS business	Property investment	Total	Mobile division	Eliminations	Consolidated
	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)	–
	3,487,105	11,765	3,498,870	157,893	(1,837)	3,654,926
Result						
Segment result	10,339	61,193	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			1,543	–		1,543
Profit (loss) before taxation			43,434	(7,731)		35,703
Taxation			(22,086)	(535)		(22,621)
Profit (loss) for the year			21,348	(8,266)		13,082

(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			214,306
			2,328,924
Liabilities			
Segment liabilities	367,872	24,737	392,609
Unallocated liabilities			855,436
			1,248,045

(iii) Other information

	Continuing Operations EMS business HK$'000	Continuing Operations Property investment HK$'000	Discontinued Operation Mobile division HK$'000	Consolidated HK$'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 EMS business HK$'000	Continuing Operations Property investment HK$'000	Total HK$'000	Discontinued Operation Mobile division HK$'000	Eliminations HK$'000	Consolidated HK$'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)	–
	2,501,972	14,516	2,516,488	579,975	(9,491)	3,086,972
Result						
Segment result	(12,985)	(70,562)	(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			(29,926)	–		(29,926)
Loss before taxation			(151,316)	(6,098)		(157,414)
Taxation			20,328	535		20,863
Loss for the year			(130,988)	(5,563)		(136,551)

(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			206,957
			2,219,737
Liabilities			
Segment liabilities	302,278	13,342	315,620
Unallocated liabilities			966,136
			1,281,756

(iii) Other information

	Continuing Operations EMS business HK$'000	Continuing Operations Property investment HK$'000	Discontinued Operation 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	–	–	255	255

Year 2009

(i) Consolidated income statement

	Continuing Operations EMS business HK$'000	Continuing Operations Property investment HK$'000	Total HK$'000	Discontinued Operation Mobile division HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover	1,525,438	12,834	1,538,272	312,806	–	1,851,078
Inter-segment sales	7,261	–	7,261	–	(7,261)	–
	1,532,699	12,834	1,545,533	312,806	(7,261)	1,851,078
Result						
Segment result	(752,656)	(28,321)	(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			–	28,402		28,402
Loss before taxation			(847,288)	(84,933)		(932,221)
Taxation			15,893	–		15,893
Loss for the year			(831,395)	(84,933)		(916,328)

(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			80,686
			1,071,088
Liabilities			
Segment liabilities	286,313	82,707	369,020
Unallocated liabilities			683,415
			1,052,435

(iii) Other information

	Continuing Operations		Discontinued Operation	
	EMS business HK$'000	Property investment HK$'000	Mobile division HK$'000	Consolidated HK$'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
	3,654,926	3,086,972	1,851,078

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 Year ended 31 March			Discontinued operation Year ended 31 March			Consolidated 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	–	–
	(36,585)	(43,368)	(36,204)	(605)	(2,734)	(2,165)	(37,190)	(46,102)	(38,369)

8. PROFIT (LOSS) BEFORE TAXATION

	Continuing operations Year ended 31 March			Discontinued operation Year ended 31 March			Consolidated 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)	–
	403,756	323,547	237,064	14,870	27,745	31,451	418,626	351,292	268,515
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
	79,204	74,295	63,204	344	2,141	2,316	79,548	76,436	65,520

	Continuing operations Year ended 31 March			Discontinued operation Year ended 31 March			Consolidated 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 Year ended 31 March			Discontinued operation Year ended 31 March			Consolidated 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	(22,086)	20,328	15,893	(535)	535	–	(22,621)	20,863	15,893

(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**
	HK$'000	*HK$'000*	*HK$'000*
Profit (loss) before taxation			
From continuing operations	43,434	(151,316)	(847,288)
From discontinued operation	(7,731)	(6,098)	(84,933)
	35,703	(157,414)	(932,221)
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)
Taxation (charge) credit for the year	(22,621)	20,863	15,893

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. 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$'000*	*HK$'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*	*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 2009
	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	2,036	1,256	972	943	2,025	180	180	120	7,712

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	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Basic salaries and allowance	2,289	2,948	2,627

	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	–	1	–

12. DISCONTINUED OPERATION

Weeteck Limited ("Weeteck" 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 Weeteck that Weeteck cannot by reason of its liabilities continue its business. Accordingly, Weeteck ceased its business trading and production during the year then ended. Special resolutions were passed by the shareholder of Weeteck at the extraordinary general meeting held on 24 April 2009 to wind up Weeteck 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 Weeteck was also held subsequently whereby the appointed liquidator was confirmed by the creditors of Weeteck.

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	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	157,893	579,975	312,806
Cost of sales	(157,493)	(565,733)	(371,083)
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	(605)	(2,734)	(2,165)
Loss before taxation	(7,731)	(6,098)	(113,335)
Taxation (charge) credit	(535)	535	–
Loss for the year from discontinued operation	(8,266)	(5,563)	(113,335)
Settlement of trade payables at a discount	–	–	28,402
Net loss on discontinuance	(8,266)	(5,563)	(84,933)

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	44,732	39,903	(49,977)
Net increase (decrease) in cash flows	5,147	3,180	(8,204)

13. DIVIDEND

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

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

14. EARNINGS (LOSS) PER SHARE

For 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**
	HK$'000	*HK$'000*	*HK$'000*
Profit (loss) for the year attributable to equity holders of the Company for the purposes of basic earnings (loss) per share	13,082	(136,551)	(916,328)

	Number of ordinary shares Year ended 31 March		
	2007	**2008**	**2009**
Number of ordinary shares for the purposes of basic earnings (loss) per share	793,016,684	793,016,684	793,016,684

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**
	HK$'000	*HK$'000*	*HK$'000*
Profit (loss) for the year attributable to equity holders of the Company for the purposes of basic earnings (loss) per share	21,348	(130,988)	(831,395)

	Number of ordinary shares Year ended 31 March		
	2007	**2008**	**2009**
Number of ordinary shares for the purposes of basic earnings (loss) per share	793,016,684	793,016,684	793,016,684

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

	HK$'000
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	57,519
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	(124,250)
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	(172,500)
At 31 March 2009	203,182

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	Buildings outside Hong Kong	Construction in progress	Motor vehicles	Plant and machinery	Leasehold improvements, office equipment, furniture and fixtures	Moulds	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	13,185	189,793	–	7,790	63,098	6,633	7,363	287,862
At 31 March 2008	13,657	265,859	–	13,256	375,353	79,173	99,095	846,393
At 31 March 2007	14,129	260,269	9,166	16,505	400,862	77,041	108,681	886,653

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

	HK$'000
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	(24,333)
At 31 March 2007	75,884
Additions	3,402
At 31 March 2008	79,286
Transfer to assets classified as held for sale	(3,238)
At 31 March 2009	76,048
AMORTISATION	
At 1 April 2006	5,729
Provided for the year	1,452
Transfer to investment properties	(1,333)
At 31 March 2007	5,848
Provided for the year	1,653
At 31 March 2008	7,501
Provided for the year	1,676
Transfer to assets classified as held for sale	(312)
At 31 March 2009	8,865
CARRYING VALUES	
At 31 March 2009	67,183
At 31 March 2008	71,785
At 31 March 2007	70,036

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

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 *HK$'000*
Unlisted investment, at cost	2,340
Share of post acquisition losses, net of dividends received	(699)
	1,641

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 *HK$'000*
Total assets	5,481
Total liabilities	(12)
Net assets	5,469
Group's share of net assets of an associate	1,641
Turnover	12,019
Loss for the year	(1,440)
Group's share of results of an associate for the year	(432)

19. INTANGIBLE ASSETS

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

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**
	HK$'000	*HK$'000*	*HK$'000*
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
	442,642	453,065	130,619

21. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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**
	HK$'000	*HK$'000*	*HK$'000*
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
	170,502	173,037	53,943

Movements in the allowance for doubtful debts

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

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**
	HK$'000	*HK$'000*	*HK$'000*
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	88,894	142,044	26,290

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**
	HK$'000	*HK$'000*	*HK$'000*
Chinese Renminbi	1,948	4,980	1,651

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:

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

24. TRADE AND OTHER PAYABLES

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

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

	As at 31 March		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
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
	207,107	177,953	90,456

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**
	HK$'000	*HK$'000*	*HK$'000*
Chinese Renminbi	18,597	18,725	15,698
Euro	370	613	8,942
	18,967	19,338	24,640

25. BANK AND OTHER BORROWINGS

	As at 31 March		
	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
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	(426,371)	(534,710)	(526,796)
Amounts due after one year	281,146	304,370	–
Secured	187,728	350,226	354,752
Unsecured	519,789	488,854	172,044
	707,517	839,080	526,796

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
	HK$'000	*HK$'000*	*HK$'000*
Chinese Renminbi	169,000	305,747	209,520
Japanese Yen	1,722	–	–
	170,722	305,747	209,520

26. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments As at 31 March			Present value Minimum lease payments As at 31 March		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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	1,630	964	106	1,491	951	106
	7,384	8,114	3,658	6,713	7,751	3,589
Less: Future finance charges	(671)	(363)	(69)	–	–	–
Present value of lease obligations	6,713	7,751	3,589	6,713	7,751	3,589
Less: Amounts due within one year shown under current liabilities				(2,583)	(4,083)	(2,835)
Amounts due after one year				4,130	3,668	754

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	Intangible assets	Revaluation of properties	Tax losses	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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		
Authorised:		
Balance as at 1 April 2006, 31 March 2007, 31 March 2008 and 31 March 2009	1,200,000,000	120,000
Issued and fully paid:		
Balance as at 1 April 2006, 31 March 2007, 31 March 2008 and 31 March 2009	793,016,684	79,302

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)	–
				26,700,000	(26,700,000)	–

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

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

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**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	354,448	350,300	101,176
Financial liabilities			
Amortised cost	1,093,413	1,146,949	859,506
Obligations under finance leases	6,713	7,751	3,589
	1,100,126	1,154,700	863,095

(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

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	–	–	(599)

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 non-derivative 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	61-180 days	181-365 days	1-2 years	2-3 years	Over 3 years	Total undiscounted cash flows	Carrying amount at 31.03.2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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
	642,086	56,993	124,483	156,588	118,751	55,095	1,153,996	1,100,126

	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
	629,714	61,049	168,792	90,466	254,398	24,708	1,229,127	1,154,700

	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
	849,451	16,054	926	655	106	–	867,192	863,095

(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 HK$'000	2008 HK$'000	2009 HK$'000
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
	333,729	453,579	443,807

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	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
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
	10,953	5,928	569

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	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
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	–
	33,707	31,291	6,577

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	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
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	–
	8,538	5,961	66

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:

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

Note:

(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**
	HK$'000	*HK$'000*	*HK$'000*
Basic salaries and allowance	4,124	2,855	2,056
Contributions to retirement benefit scheme	17	24	9
Share-based payments	–	68	–
	4,141	2,947	2,065

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	(3,358,054)	(2,375,777)	(1,669,069)
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	574	–	–
Profit (loss) before taxation	48,373	(146,533)	(807,280)
Taxation	(21,817)	20,328	15,938
Profit (loss) for the year from continuing operations	26,556	(126,205)	(791,342)
Discontinued operation			
Loss for the year from discontinued operation	(8,266)	(5,563)	(111,390)
Profit (loss) for the year	18,290	(131,768)	(902,732)

(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:

	As at 31 March		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
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
	1,467,184	1,355,313	558,072
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
	818,959	836,564	280,360
Assets classified as held for sale	–	–	230,000
	818,959	836,564	510,360
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
	1,462,670	1,549,974	1,557,294
Liabilities associated with assets classified as held for sale	–	–	108,454
	1,462,670	1,549,974	1,665,748
Net current liabilities	(643,711)	(713,410)	(1,155,388)
Total assets less current liabilities	823,473	641,903	(597,316)
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	72,524	50,059	26,956
	357,800	357,998	27,643
Net assets (liabilities)	465,673	283,905	(624,959)

(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	**2008**	**2009**
	HK$'000	*HK$'000*	*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	513,643	389,977	66,683
(Repayments to)/advances from retained group	(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. RECONCILIATION STATEMENT

Set out below is the reconciliation of the book value of the investment properties of the Group as at 31 March 2009 and the valuation of the investment properties of the Group as at 31 July 2009:

	HK$'000
Net movement on book value of the investment properties	
Book value of the investment properties as at 31 March 2009	203,182
Valuation of the investment properties as at 31 July 2009	179,600
Decrease in fair value of investment properties	23,582

Notes:

Properties held for investment by the Group in the PRC

		Market value	
		at 31 July 2009	**at 31 March 2009**
		HK$'000	*HK$'000*
1.	The industrial complex located at Daling Industrial District, Youganpu Village, Fenggang Town, Dongguan City, Guangdong Province, the PRC	69,000	79,205
2.	The industrial complex located at Hong Ying Industrial District, Shaling, Fenggang Town, Dongguan City, Guangdong Province, the PRC (exclude Fair value of land portion of HK$28,400,000)	110,600	123,977
		179,600	203,182

3. MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group's turnover of continuing operations decreased to approximately HK$1,538 million for the year ended 31 March 2009, representing a reduction of approximately 39% as compared to the preceding financial year. The decline was mainly attributable to the financial difficulties of the Group and weak demand of the consumer electronic products as a direct result of the financial tsunami. The gross loss was about HK$136 million for the year ended 31 March 2009 whereas the gross profit was about HK$133 million in previous year. It was mainly attributable to high level of overheads resulting from smaller production scale which was under sub-optimal levels, in particular for Dongguan Industrial City, 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.

Impairment loss on property, plant and equipment and intangible assets, mainly resulting in the amount of about HK$422 million from the drastic decrease in production scale of the Group and substantial decline in recoverable amount of the value of fixed assets and intangible assets which mainly represented the deferred development expenditure.

The Group's administrative expenses for the year ended 31 March 2009 was approximately HK$165 million, representing an increase of approximately 70% as compared to the preceding financial year. It was mainly attributable to the impairment on trade receivables of about HK$23 million and was mainly related to a quality dispute with a customer in UK for the sales of notebooks. Moreover, the legal and professional fees increased significantly mainly because of the restructuring exercise.

The Group's selling and distribution expenses increased to approximately HK$33 million because of the provision made for product warranties.

The Group's finance costs amounted to approximately HK$36 million which were comparable to the corresponding figure last year. The other operating expenses of HK$36 million were mainly attributable to exchange loss in translation of loans denominated in RMB and loss on disposal of property, plant and equipment.

The Group recorded a loss of approximately HK$831 million from continuing operations as compared to a loss of approximately HK$131 million for the previous year.

Financing and capital structure

For the year ended 31 March 2009, the Group's total debts stood at approximately HK$578 million, all of which were repayable within one year. The Group's borrowings are primarily denominated in Hong Kong Dollars, US Dollars and RMB. The debt to equity ratio increased to 33 times.

Liquidity and financial resources

The net current liabilities of the Group as at 31 March 2009 were approximately HK$512 million. 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 outstanding borrowings became due immediately. The current ratio was approximately 0.5. Total equity was decreased to approximately HK$18 million because of the significant loss of HK$916 million for the year.

Pledge of assets

As at 31 March 2009, certain of the Group's assets (including investment properties, property, plant and equipment, assets held for sale and land use rights) with the carrying value of totalling approximately HK$444 million were pledged to secure certain banking facilities granted to the Group.

Capital Commitments

As at 31 March 2009, the Group had capital commitments contracted but not provided for of approximately HK$1 million.

Treasury policy

The majority of the Group's sales and purchases are denominated in Hong Kong Dollars or US Dollars. As Hong Kong Dollars and US Dollars are pegged, the Group had minimum exposure to foreign exchange fluctuation in this respect. The labour costs and other overheads incurred in the PRC were denominated in RMB. The Group monitored the overall currency and interest rate exposures particularly for the bank borrowings in RMB which was approximately HK$255 million as at 31 March 2009. However, since the occurrence of Group's financial problems in December 2008, the group has no effective facilities in entering into hedging contracts for currency as well as interest rate exposure.

Employee information

As at 31 March 2009, the Group had approximately 6,000 employees. The remuneration packages are generally structured with reference to market conditions and the individual qualifications. Salaries and wages of the Group's employees are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to the management, based on individual merits as well as the results from the respective companies for which the staff works. Benefit plans for its Hong Kong staff include a provident fund scheme and medical and life insurance. The Group also maintains a Share Option Scheme, under which options may be granted to employees to subscribe for shares in the Company. This Share Option Scheme is designed to give employees an incentive to perform.

Significant investments held, material acquisition or disposal of subsidiaries or associates

During the year ended 31 March 2009, the Group did not have any significant investments held, material acquisition or disposal of subsidiaries or associates.

4. INDEBTEDNESS

Borrowings

As at the close of business on 31 August 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of the Circular, the Group had outstanding bank and other borrowings of approximately HK$523,120,000. HK$522,065,000 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 14 subsidiaries which have executed debentures and charges over the shares of two subsidiaries. In addition, certain plant and machinery were held under finance leases and the Group had outstanding obligations under finance leases of approximately HK$1,810,000.

As at 31 August 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$40,199,000, which are not included in the Group's bank and other borrowings set out in the preceding paragraph, and assets of carrying amount of approximately HK$3,076,000 as at 31 March 2009.

Debt securities

At the close of business on 31 August 2009, the Group did not have any debt securities.

Commitments

At the close of business on 31 August 2009, the Group had capital commitments contracted but not provided for of approximately HK$390,000.

Contingent liabilities

At the close of business on 31 August 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 31 August 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.

There are no material changes in terms of indebtedness, liabilities and contingent liabilities of the Group between 31 August 2009 and the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS

The Group will continue its existing principal businesses in relation to the design, manufacture, and sale of electronic products and property investment. As a result of the global financial crisis as well as the continuing appreciation of the RMB and the rising costs of raw materials and labour, China has witnessed a decline in its export market as compared with last year. The PRC Government has implemented certain relief policies, including higher export VAT refund rates, loosening credits from PRC banks and postponing the adjustment of minimum wages standard. The stability of RMB is expected to alleviate the difficulties faced by manufacturers.

The Group has a very solid foundation in the electronics industry with establishment for more than three decades. While the Company has spent the past several months working closely at the Restructuring Proposal, the Company has found all of its stakeholders, including customers, suppliers, bankers and employees being supportive to the Group and the management has worked diligently and effectively within its businesses.

The Company strives to move beyond the issues in recent months and restore itself to a healthy position. With the successful implementation of the Restructuring Proposal, all Claims against the Company will be released and discharged. Although the Group is still operating under a difficult environment, the management of the Group is committed to maintain the business and operations with the continuing support of various stakeholders. Focus of the group is placed on managing cash flow and working capital and implementing short-term operations improvements, including identifying cheaper sourcing, reducing property costs and overheads reduction. The management of the Group is confident that the Group will be able to turnaround and survive despite the existing challenging economic climate.

6. FINANCIAL INFORMATION ON THE RETAINED GROUP

Liquidity, financial and capital structure

Assuming the Restructuring Proposal had taken place on 31 March 2009, all the liabilities of the Company would be discharged and released on 31 March 2009. Other than the trade and other payables of approximately HK$11 million, amount due to a Scheme Subsidiary of approximately HK$2 million and obligations under finance leases of approximately HK$0.1 million, the Retained Group would not have any other debts as at 31 March 2009.

The Retained Group would have net current assets of approximately HK$1 million as at 31 March 2009. Equity attributable to equity holders of the Company as at 31 March 2009 would amount to approximately HK$1 million as at 31 March 2009.

Pledge of assets

As at 31 March 2009, the Retained Group would have no pledge on its assets and no contingent liabilities.

Capital Commitments

As at 31 March 2009, the Retained Group would have no capital commitments.

Treasury policy

The majority of the Retained Group's sales and purchases will continue to be denominated in Hong Kong Dollars or US Dollars. As Hong Kong Dollars and US Dollars are pegged, the Retained Group has minimum exposure to foreign exchange fluctuation in this respect. As at 31 March 2009, the Retained Group did not have any effective facilities in entering into hedging contracts for currency as well as interest rate exposure.

Employee information

As at 31 March 2009, the Retained Group had approximately 60 employees.

Significant investments held, material acquisition or disposal of subsidiaries or associates

The Retained Group did not have any significant investments held, material acquisition or disposal of subsidiaries or associates during the year ended 31 March 2009.

7. WORKING CAPITAL

The Directors are of the opinion that, upon successful implementation of the Restructuring Proposal, after taking into account the financial resources, including part of the Subscription proceeds as set out on page 20 and its internally generated funds arising from the future business model as set out on pages 15 and 16, the Retained Group has sufficient working capital to meet its present requirements.

8. MATERIAL CHANGE

Save for (i) the voluntary winding-up of Weeteck Limited (formerly known as Ngai Lik Mobile Electronics Limited), which was a wholly-owned subsidiary of the Company, as disclosed in the announcement of the Company dated 27 April 2009; (ii) the execution of certain debentures and deed of undertaking in favour of the bank creditors of the Group as disclosed in the announcement of the Company dated 13 July 2009; and (iii) the decrease in fair value of the investment properties of the Group as disclosed in the paragraph headed "Reconciliation statement" in Appendix I to this circular, 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.

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	Pro forma adjustments			The Retained Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 1	*Note 2*	*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)	–
	558,392				320
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	33,192		83,500	(105,163)	11,529
	282,696				13,392
Assets classified as held for sale	230,000			(230,000)	–
	512,696				13,392
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	1,844			(1,844)	–
	916,271				12,562
Liabilities associated with assets classified as held for sale	108,454			(108,454)	–
	1,024,725				12,562
Net current (liabilities) assets	(512,029)				830
Total assets less current liabilities	46,363				1,150

	The Group	Pro forma adjustments			The Retained Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 1	*Note 2*	*Note 3*	
Non-current liabilities					
Obligations under finance leases – due after one year	754			(687)	67
Deferred taxation	26,956			(26,956)	–
	27,710				67
Net assets	18,653				1,083
Capital and reserves					
Share capital	79,302	(71,372)	71,372		79,302
Reserves	(61,669)	71,372	12,128	(100,050)	(78,219)
Equity attributable to equity holder of the Company	17,633				1,083
Minority interests	1,020			(1,020)	–
Total equity	18,653				1,083

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	(1,673,962)	1,669,069		(61,050)		(65,943)
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	(36,204)	36,076				(128)
Loss before taxation	(847,288)					(1,020,249)
Taxation	15,893	(15,938)				(45)
Loss for the year from continuing operations	(831,395)					(1,020,294)
Discontinued operation						
Loss for the year from discontinued operation	(84,933)	111,390			(26,457)	–
Loss for the year	(916,328)					(1,020,294)
Attributable to:						
Equity holders of the Company	(916,328)	902,732	(1,006,698)	–	–	(1,020,294)
Minority interests	–					–
	(916,328)					(1,020,294)

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$'000*	*HK$'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).

	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 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)
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.

The following is the text of a letter and valuation certificates from independent valuers, in connection with the valuation of the properties held by the Group as at 31 July 2009, prepared for the purpose of incorporation in this circular:

B.I. Appraisals Limited
保柏國際評估有限公司
Registered Professional Surveyors, Valuers & Property Consultants
Unit 1301, 13/F, Tung Wai Commercial Building,
Nos.109-111 Gloucester Road, Wan Chai, Hong Kong
Tel: (852) 2127 7762 Fax: (852) 2137 9876
Email: info@biappraisals.com.hk
Website: www.bisurveyors.com.hk

30 September 2009

The Directors
Ngai Lik Industrial Holdings Limited
Units 29-32, 8th Floor, Block B
Focal Industrial Centre
21 Man Lok Street
Hung Hom
Kowloon

Dear Sirs,

In accordance with the instructions from Ngai Lik Industrial Holdings Limited (hereinafter referred to as the "Company") for us to value various properties in Hong Kong and in the PRC (details of which are described in Summary of Values attached, hereinafter referred to as the "Properties"), which are held by the Company and/or its subsidiaries (hereinafter collectively referred to as the "Group"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of each of the Properties as at 31 July 2009 (hereinafter referred to as the "Date of Valuation").

It is our understanding that this valuation document is to be used for reference purpose in relation to the restructuring proposal of the Company, and that our valuation report may subsequently be incorporated in a circular to be issued by the Company.

This letter, forming part of our valuation report, identifies the properties being valued, explains the valuation basis and methodology, and lists out the assumptions and the title investigation we have made in the course of our valuations, as well as the limiting conditions.

BASIS OF VALUATION

Our valuation of each of the Properties is our opinion of its market value which we would define as intended to mean "an estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

We have valued the properties on the basis that each of them is considered individually. We have not allowed for any discount for the Properties to be sold to a single party nor taken into account any effect on the values if the Properties are to be offered for sale at the same time as a portfolio.

Our valuations have been carried out in accordance with The HKIS Valuation Standards on Properties (1st Edition 2005) issued by the Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Practice Note 12 issued by The Stock Exchange of Hong Kong Limited.

VALUATION METHODOLOGY

We have focused our valuations of the Properties by using the Market Approach. In arriving at the market value of each of the properties in Group I to Group III, which are either owner-occupied or vacant, we have adopted the Direct Comparison Method assuming the property is capable of being sold in existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions or offering as available in the relevant market.

In valuing each of the properties in Group IV, which are held for investment, we have adopted the Investment Method, which is normally adopted for valuing leased property. The market value of such property is the aggregate amount of its term value, which is calculated by capitalising the existing rent at the market-determined equivalent yield and its reversionary value, which derives from the lease renewal/ new letting based on the current market rent or from the disposal of such property based on the current market price. As the main variables of the investment method are determined in the market, it is typical a comparison method and does not involve any profit forecast factors.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that each of the Properties is sold in the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement that would serve to affect the value of such property. In addition, no account has been taken of any option or right of pre-emption concerning or effecting sales of the Properties and no forced sale situation in any manner is assumed in our valuations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties valued nor for any expenses or taxation which may be incurred in effecting sales. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature that could affect their values.

In addition, in the course of our valuation of each of the Properties, we have made the following assumptions:

a) The property has been constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated.

b) The property is finished and maintained in reasonable condition commensurate with its age and use and is in its original layout without any unauthorized alteration.

c) All consents, approvals, required licences, permits, certificates and authorizations have been obtained, except only where otherwise stated, for the use of the property upon which our valuation is based.

In the course of our valuations, we have neither verified nor taken into account any potential tax liabilities for each of the properties that would arise if such property was to be sold at the amount our valuation. We have been advised by the Company that, except for Property 6, the Company does not have the intention to sell any or all of the Properties. However, should the Properties be disposed of, the potential tax liabilities arising, as advised by the Company, may include stamp duty (3.75% on the transaction amount for Hong Kong properties and 0.05% on the transaction amount for PRC properties) and other PRC potential tax liabilities such as profit tax (30% on the profit gained), business tax (5% on the transaction amount), land appreciation tax (30% to 60% on the net appreciated amount), city maintenance and construction tax (5% on the transaction amount) and education additional fee (3% on the aggregate tax amount of land appreciation tax and business tax).

TITLE INVESTIGATION

We have conducted land searches at the Land Registry for the property in Group I, and have been provided by the Company with copies of title documents relating to the properties in Group II to Group IV. However, we have not examined the original documents to verify the ownership and to ascertain the existence of any amendments that may not appear on the copies handed to us. All documents have been used for reference only.

In addition, we have been provided by the Company with copies of the legal opinion dated 8 July 2008, 12 August 2008 and 30 September 2009 prepared by 君道律師事務所(Hills & Co.), the Company's legal advisers as to PRC law (hereinafter referred to as the "PRC Legal Adviser") regarding the properties in Group II to Group IV. In the course of our valuations of these properties, we have relied on the advices given by the Company and the opinion prepared by the PRC Legal Adviser regarding the title to the interest in such properties.

LIMITING CONDITIONS

We have inspected the exterior of the Properties. However, no structural survey has been made nor have any tests been carried out on any of the building services provided in the Properties. We are, therefore, not able to report that the Properties are free from rot, infestation or any other structural defects. Yet, in the course of our inspections, we did not note any serious defects.

We have not conducted any on-site measurement to verify the correctness of the site and floor areas of the Properties but have assumed that the areas shown on the documents furnished to us are correct. Dimensions, measurements and areas included in the valuation certificates attached are based on information contained in the documents provided to us by the Company and are therefore approximations only.

Moreover, we have not carried out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any future development.

We have relied to a considerable extent on the information provided by the Company and the advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, site and floor areas and all other relevant matters in the identification of the Properties. We have not seen original planning consents and have assumed that the Properties are erected, occupied and used in accordance with such consents.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

CURRENCY

Unless otherwise stated, all monetary amounts stated in our valuation certificates are in Hong Kong Dollars (HK$). The exchange rate adopted in our valuation of the PRC properties is HK$1=RMB0.88, which was approximately the prevailing exchange rate as at the Date of Valuation.

REMARKS

We hereby confirm that we have neither present nor prospective interests in the Group, its holding company, the Properties or the values reported herein.

Our valuations are summarized below and the valuation certificates are attached herewith.

Yours faithfully,
For and on behalf of
B.I. APPRAISALS LIMITED
William C. K. Sham
Registered Professional Surveyor (G.P.)
China Real Estate Appraiser
MRICS, MHKIS, MCIREA
Executive Director

Note: Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 25 years' experience in the valuation of properties in Hong Kong and has over 10 years' experience in the valuation of properties in the People's Republic of China and the Asia Pacific regions.

SUMMARY OF VALUES

Property	Market value in existing state as at 31 July 2009 *(HK$)*
Group I – Property held and occupied by the Group in Hong Kong	
1. Workshop Units 26 and 27 on 3rd Floor, 29-32 on 8th Floor of Block B and Car Parking Spaces No. L25, L40 to L43, P36 and P42 on Ground Floor, Focal Industrial Centre, No. 21 Man Lok Street, Kowloon, Hong Kong	36,000,000
Group II – Properties held and occupied by the Group in the PRC	
2. The industrial complex known as Chengwei Industrial City, Guanjingtou Management Area, Fenggang Town, Dongguan City, Guangdong Province, the PRC	31,000,000
3. The eastern portion of Ngai Lik Industrial Park, Longtang Town, Qingcheng District, Qingyuan City, Guangdong Province, the PRC	25,000,000
4. The central portion of Ngai Lik Industrial Park, Longtang Town, Qingcheng District, Qingyuan City, Guangdong Province, the PRC	172,000,000
5. The western portion of Ngai Lik Industrial Park, Longtang Town, Qingcheng District, Qingyuan City, Guangdong Province, the PRC	77,000,000
Group III – Property held for sale by the Group in the PRC	
6. The industrial complex known as Ngai Lik Industrial City, Longping Highway, Guanjingtou, Fenggang Town, Dongguan City, Guangdong Province, the PRC	214,000,000
Group IV – Properties held for invesment by the Group in the PRC	
7. The industrial complex located at Daling Industrial District, Youganpu Village, Fenggang Town, Dongguan City, Guangdong Province, the PRC	69,000,000
8. The industrial complex located at Hong Ying Industrial District, Tangli Management Area, Fenggang Town, Dongguan City, Guangdong Province, the PRC	139,000,000
Total:	**763,000,000**

Group I – Property held and occupied by the Group in Hong Kong

Property	**Description and tenure**	**Particulars of occupancy**	**Market value in existing state as at 31 July 2009**
1. Workshop Units 26 and 27 on 3rd Floor, 29-32 on 8th Floor of Block B and Car Parking Spaces No. L25, L40 to L43, P36 and P42 on Ground Floor, Focal Industrial Centre, No. 21 Man Lok Street, Kowloon, Hong Kong An aggregate 67/3371st equal and undivided shares of and in Section C of Kowloon Marine Lot No. 113	Focal Industrial Centre (the "Subject Development") is located on the eastern side of Man Lok Street at its junction with Hok Yuen Street East within the district of Hung Hom. The Subject Development, completed in about 1986, is an industrial complex comprising two blocks of 12-storey industrial building designated as Block A and Block B commonly erected over a 1-storey podium for car park and loading/unloading area. The property comprises two workshop units on 3rd Floor and four workshop units on 8th Floor of Block B together with five lorry parking spaces and two private car parking spaces on Ground Floor. The total gross floor area and the total saleable area of the subject workshop units are approximately 1,525.92 sq.m. (16,425 sq.ft.) and 1,225.38 sq.m. (13,190 sq.ft.) respectively. Kowloon Marine Lot No. 113 is held under Conditions of Exchange No. 11128 for a term of 75 years from 15 September 1972. The Government Rent payable for the subject lot is HK$8,884 per annum.	The property is occupied for office, storage and parking purpose by the Group.	HK$36,000,000

Notes:

1) The registered owner of the property is Ngai Lik Properties Limited, via seven assignments with details as follows:

Premises	Memorial No.	Date of Assignment
Workshop Unit No. 26 on 3rd Floor of Block B	UB5850827	29 October 1993
Workshop Unit No. 27 on 3rd Floor of Block B	UB5829005	8 October 1993
Workshop Unit Nos. 29, 30, 31 and 32 on 8th Floor of Block B and Car Parking Space Nos. L42, L43 and P42 on Ground Floor	UB8893673	13 February 2003
Car Parking Space No. L25 on Ground Floor	UB7119335	26 May 1997

Premises	Memorial No.	Date of Assignment
Car Parking Space No. L40 on Ground Floor	UB8893674	13 February 2003
Car Parking Space No. L41 on Ground Floor	UB8893675	13 February 2003
Car Parking Space No. P36 on Ground Floor	UB7542336	13 July 1998

2) The property is subject to the following encumbrances:

(a) Mortgage in favour of Hang Seng Bank Limited dated 15 March 2007, registered vide Memorial No. 07041100250053 (re: Workshop Unit Nos. 26 and 27on 3rd Floor only);

(b) Mortgage in favour of Hang Seng Bank Limited dated 15 March 2007, registered vide Memorial No. 07041100250062 (re: Workshop Unit Nos. 29, 30, 31 and 32 on 8th Floor only); and

(c) Mortgage in favour of Hang Seng Bank Limited dated 15 March 2007, registered vide Memorial No. 07041100250079 (re: Car Parking Spaces No. L25, L40-L43, P36 and P42 only).

3) The property falls within an area zoned "Other Specific Use" under Hung Hom Outline Zoning Plan No. S/K9/23 gazetted on 11 September 2009.

Group II – Properties held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2009
2. The industrial complex known as Chengwei Industrial City, Guanjingtou Management Area, Fenggang Town, Dongguan City, Guangdong Province, the PRC	Chengwei Industrial City is erected on a roughly trapezium-shaped site having a site area of approximately 15,944.50 sq.m. (171,627 sq.ft.). It is located within Guanjingtou Management Area in Fenggang Town of Dongguan City. The property comprises the land together with various buildings and structures erected in the subject industrial complex. Major buildings include 2 blocks of 5-storey workshop building, 1 block of 2-storey composite building, 1 block of 6-storey senior staff quarters building, 3 blocks of 6-storey staff quarters building and 1 block of 4-storey canteen building. The property includes also some ancillary structures such as guardhouse, electricity generation house, air-compressor room, fencing walls, basketball court, wells and water pools. All buildings and structures appeared to be completed in the period between 1995 and 2000. The total gross floor area of the various buildings is approximately 33,384.96 sq.m. (359,356 sq.ft.). The land use right of the property has been granted for a term due to expire on 18 September 2056 for industrial use.	The property is currently occupied by the Group as office, workshop, warehouse and other ancillary uses.	HK$31,000,000

Notes:

1) Pursuant to the Agreement for Transfer of Land Use Right entered into between 東莞市鳳崗鎮官井頭管理區 (Dongguan City Fenggang Town Guanjingtou Management Area) ("Party A") and 香港毅力電子國際有限公司（電威公司）(Ngai Lik Electronics International Limited (Din Wei Company), "Party B") on 1 February 1994, the land use right of a parcel of land with a site area of 16,082.25 sq.m. was agreed to be transferred from Party A to Party B for a consideration of RMB2,975,216.25 for a term of 48 years from 1 February 1994 to 30 January 2042 for industrial use.

2) Pursuant to the Certificate for Collective Land Use 東府集用(2008)字第1900220216011號 (Dong Fu Ji Yong (2008) Zi No. 1900220216011) dated 2 February 2008 issued by Dongguan Municipal Peoples' Government, the land use right of a parcel of land at Guanjingtou Village in Fenggang Town, with a site area of 15,944.50 sq.m., is held by 東莞鳳崗毅力電子有限公司 (Dongguan Fenggang Ngai Lik Electronics Co., Ltd.), a wholly owned subsidiary of the Company, by way of circulated transfer for industrial use for a term due to expire on 18 September 2056.

3) Pursuant to eight sets of Certificate of Real Estate Ownership dated 7 March 2008 issued by Guangdong Provincial People's Government, the ownership of eight blocks of buildings in the property are vested in Dongguan Fenggang Ngai Lik Electronics Co., Ltd. The details of the said certificates are summarized as follows:

Certificate No.	Name of Building	Use	No. of Storey	Year Built	Gross Floor Area *(sq.m.)*
粵房地證字第C6344699號 (Yue Fang Di Zheng Zi No. C6344699)	Canteen	Canteen	4	2000	2,312.34
粵房地證字第C6344700號 (Yue Fang Di Zheng Zi No. C6344700)	Factory A	Factory	5	2000	8,587.20
粵房地證字第C6344701號 (Yue Fang Di Zheng Zi No. C6344701)	Factory B	Factory	5	2000	8,160.00
粵房地證字第C6344702號 (Yue Fang Di Zheng Zi No. C6344702)	Senior Staff Quarter	Dormitory	6	2000	1,945.80
粵房地證字第C6344703號 (Yue Fang Di Zheng Zi No. C6344703)	Staff Quarters C	Dormitory	6	2000	3,767.44
粵房地證字第C6344704號 (Yue Fang Di Zheng Zi No. C6344704)	Staff Quarters B	Dormitory	6	2000	3,767.44
粵房地證字第C6344705號 (Yue Fang Di Zheng Zi No. C6344705)	Staff Quarters A	Dormitory	6	2000	3,767.44
粵房地證字第C6344706號 (Yue Fang Di Zheng Zi No. C6344706)	Composite Building	Composite Building	2	2000	1,077.30

4) The opinion of Hills & Co. is summarized as below:

a) Dongguan Fenggang Ngai Lik Electronics Co., Ltd. is the legal owner to the land use rights of the land together with the buildings erected thereon and is entitled to occupy, use, transfer, lease and mortgage such property.

b) The property is being used in accordance with its permitted use.

c) The property is free from encumbrances and is not subject to any unusual contract terms and conditions.

5) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as fo1lows:

Contract of Transfer of Land Use Rights	Yes
Certificates of Collective Land Use	Yes
Certificate of Real Estate Property Ownership	Yes

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2009
3. The eastern portion of Ngai Lik Industrial Park, Longtang Town, Qingcheng District, Qingyuan City, Guangdong Province, the PRC	Ngai Lik Industrial Park (the "Development") is an industrial complex of various blocks of buildings and ancillary structures erected on an irregular-shaped site with a total site area of 667,336.67 sq.m. (or 7,183,212 sq.ft.). It is located off the southwestern side of Route 107 National Highway at Sanjialing in Longtang Town of Qingcheng District of Qingyuan City. The property comprises the eastern portion of the Development having a site area of approximately 40,685.68 (or 437,941 sq.ft.) together with 2 blocks of 10-storey buildings for office and 1 block of 6-storey dormitory uses and some ancillary structures erected thereon. All buildings and structures appeared to be completed in the period from 2004 to 2005. The total gross floor area of the property is approximately 17,439.41 q.m. (or 187,718 sq.ft.). The land use right of part of the land with a site area of 36,111.64 sq.m. (or 388,706 sq.ft.) in the property has been granted for a term due to expire on 7 August 2053 for industrial use.	The property is currently vacant.	HK$25,000,000

Notes:

1) Pursuant to the Contract for Transfer of State-owned Land Use Rights entered into between 清遠市清城區龍塘經濟發展總公司 (Qingyuan City Qingcheng District Longtang Economic Development Head Company) ("Party A") and Faithful Lion Limited ("Party B") on 25 July 2002, Party A agreed to transfer a parcel of land, having a site area of 1,001 mu (equivalent to approximately 667,336.67 sq.m.), located at an area locally known as 三加嶺 (Sanjialing) in Longtang Town in Qingcheng District of Qingyuan City to Party B.

2) Pursuant to the Certificate of State-owned Land Use 清市府國用(2003)第00518號 (Qing Shi Fu Guo Yong (2003) No. 00518) dated 13 August 2003 issued by Qingyuan Municipal Peoples' Government, the land use right of a parcel of land designated as Lot No. G1200508 with a site area of 79,999.95 sq.m. was granted to 忠毅(清遠)電子塑膠五金有限公司 (Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited), which is a wholly-owned subsidiary of the Company, for industrial use for a term due to expire on 7 August 2053. The said parcel of land was subsequently sub-divided into two portions having respective sub-divided site areas of 43,888.31 sq.m and 36,111.64 sq.m. with two sets of Certificate of State-owned Land Use (清市府國用(2008)第00443號 (Qing Shi Fu Guo Yong (2008) No. 00443) and 清市府國用(2008)第00444號 (Qing Shi Fu Guo Yong (2008) No. 00444)) issued on 18 November 2008.

3) Pursuant to the Certificate of State-owned Land Use 清市府國用(2008)第00444號 (Qing Shi Fu Guo Yong (2008) No. 00444) dated 18 November 2008 issued by Qingyuan Municipal Peoples' Government, the land use right of the property with a site area of 36,111.64 sq.m. has been granted to Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited for industrial use for a term due to expire on 7 August 2053.

4) Pursuant to two sets of Certificate of Real Estate Property Ownership dated 11 May 2007 issued by Qingyuan City People's Government, the ownership of two blocks of buildings in the property are vested in Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited. The details of the said certificates are summarized as follows:

Certificate No.	Block No.	No. of Storey	Year Built	Gross Floor Area *(sq.m.)*
粵房地証字第C4610036號 (Yue Fang Di Zheng Zi No. C4610036)	50 (Office)	10	2004	11,934.02
粵房地証字第C4610035號 (Yue Fang Di Zheng Zi No. C4610035)	51 (Quarters)	6	2005	5,505.39

5) We understand that the land use right of part of the land in the property with a site area of approximately 4,574.04 sq.m. has not been obtained. In the course of our valuation, we have not taken into account the value of such part of the land and of any building and/or structure, the Certificate of Real Estate Property Ownership of which has not been obtained, in the property.

6) The opinion of Hills & Co. is summarized as below:

a) Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited is the legal owner to the land use rights of the land together with the buildings erected thereon and is entitled to occupy, use, transfer, lease and mortgage such property.

b) The land grant premium has been settled in full.

c) The property is subject to mortgages in favour of Agricultural Bank of China, Qingyuan Branch.

d) The property is being used in accordance with its permitted use.

e) The buildings in the property are subject to a seizure (查封) by Qingyuan City Building Administration Bureau on the reason that there were still some outstanding documents needed to be filed for construction completion examination procedure. Yet, upon submission of those outstanding documents, the said seizure will be released.

7) We have prepared our valuation assuming that the said seizure mentioned in Note 6e above would have been released,

8) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as fo1lows:

Contract of Transfer of Land Use Rights	Yes
Certificates of State-owned Land Use (part)	Yes
Certificate of Real Estate Property Ownership (part)	Yes

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2009
4. The central portion of Ngai Lik Industrial Park, Longtang Town, Qingcheng District, Qingyuan City, Guangdong Province, the PRC	Ngai Lik Industrial Park (the "Development") is an industrial complex of various blocks of buildings and ancillary structures erected on an irregular-shaped site with a total site area of 667,336.67 sq.m. (or 7,183,212 sq.ft.). It is located off the southwestern side of Route 107 National Highway at Sanjialing in Longtang Town of Qingcheng District of Qingyuan City. The property comprises the central portion of the Development having a site area of approximately 197,293.60 sq.m. (or 2,123,668 sq.ft.) together with 7 blocks of 5-storey workshop building, 1 block of 5-storey canteen building and 14 blocks of 6-storey dormitory building and various ancillary structures erected thereon. All buildings and structures appeared to be completed in the period between 2002 and 2006. The total gross floor area of the buildings is approximately 223,134.59 sq.m. (or 2,401,821 sq.ft.). The land use rights of part of the land with a site area of approximately 165,546.09 sq.m. (or 1,781,938 sq.ft.) in the property have been granted for a term due to expire on 7 August 2053 and 21 December 2056 for industrial use.	The property is currently occupied by the Group for manufacture and ancillary uses.	HK$172,000,000

Notes:

1) Pursuant to the Contract for Transfer of State-owned Land Use Rights entered into between Qingyuan City Qingcheng District Longtang Economic Development Head Company ("Party A") and Faithful Lion Limited ("Party B") on 25 July 2002, Party A agreed to transfer a parcel of land, having a site area of 1,001 mu (equivalent to approximately 667,336.67 sq.m.), located at an area locally known as 三加嶺 (Sanjialing) in Longtang Town in Qingcheng District of Qingyuan City to Party B.

2) Pursuant to the Certificate of State-owned Land Use 清市府國用(2003)第00518號 (Qing Shi Fu Guo Yong (2003) No.00518) dated 13 August 2003 issued by Qingyuan Municipal Peoples' Government, the land use right of a parcel of land designated as Lot No. G1200508 with a site area of 79,999.95 sq.m. was granted to Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited for industrial use for a term due to expire on 7 August 2053.The said parcel of land was subsequently sub-divided into two portions having respective sub-divided site areas of 43,888.31 sq.m and 36,111.64 sq.m. with two sets of Certificate of State-owned Land Use 清市府國用(2008)第00443號 (Qing Shi Fu Guo Yong (2008 No. 00443) and 清市府國用(2008)第00444號 (Qing Shi Fu Guo Yong (2008) No. 00444) issued on 18 November 2008.

3) Pursuant to the Certificate of State-owned Land Use 清市府國用(2003)第00519號 (Qing Shi Fu Guo Yong (2003) No. 00519) dated 13 August 2003 issued by Qingyuan Municipal Peoples' Government, the land use right of a parcel of land designated as Lot No. G1200507 with a site area of 186,699.76 sq.m. was granted to Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited for industrial use for a term due to expire on 7 August 2053.

4) Pursuant to the Certificate of State-owned Land Use 清市府國用(2006)第00948號 (Qing Shi Fu Guo Yong (2006) No. 00948) dated 30 December 2006 issued by Qingyuan Municipal Peoples' Government, the land use right of a parcel of land designated as Lot No. G1200530 with a site area of 200,499.16 sq.m. was granted to Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited for industrial use for a term due to expire on 21 December 2056. The said parcel of land was subsequently sub-divided into portions, two of which having respective sub-divided site areas of 13,741.99 sq.m and 167,832.50 sq.m. with two sets of Certificate of State-owned Land Use 清市府國用(2008)第00489號 (Qing Shi Fu Guo Yong (2008) No. 00489) and 清市府國用(2008)第00490號 (Qing Shi Fu Guo Yong (2008) No. 00490) issued on 24 December 2008.

5) Pursuant to the Certificate of State-owned Land Use 清市府國用(2008)第00443號 (Qing Shi Fu Guo Yong (2008) No. 00443) dated 18th November 2008 issued by Qingyuan Municipal Peoples' Government, the land use right of the property with a site area of 43,888.31 sq.m. has been granted to Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited for industrial use for a term due to expire on 7 August 2053.

6) Pursuant to the Certificate of State-owned Land Use 清市府國用(2008)第00490號 (Qing Shi Fu Guo Yong (2008) No. 00490) dated 24 December 2008 issued by Qingyuan Municipal Peoples' Government, the land use right of a parcel of land designated as Lot No. G1200544 with a site area of 167,832.50 sq.m. was granted to Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited for industrial use for a term due to expire on 21 December 2056.

7) Pursuant to nineteen sets of Certificate of Real Estate Property Ownership dated 11 May 2007 issued by Qingyuan City People's Government, the ownership of nineteen blocks of building in the property is vested in Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited. The details of the said certificates are summarized as follows:

Certificate No.	Block No.	No. of Storey	Year Built	Gross Floor Area *(sq.m.)*
粵房地証字第C4610041號 (Yue Fang Di Zheng Zi No. C4610041)	1 (Factory)	5	2003	10,933.63
粵房地証字第C4610040號 (Yue Fang Di Zheng Zi No. C4610040)	2 (Factory)	5	2003	10,933.63
粵房地証字第C4610039號 (Yue Fang Di Zheng Zi No. C4610039)	3 (Factory)	5	2003	10,933.63
粵房地証字第C4610038號 (Yue Fang Di Zheng Zi No. C4610038)	4 (Factory)	5	2004	10,933.63
粵房地証字第C4607085號 (Yue Fang Di Zheng Zi No. C4607085)	5 (Factory)	5	2002	28,381.21
粵房地証字第C4607080號 (Yue Fang Di Zheng Zi No. C4607080)	6 (Factory)	5	2003	28,381.21
粵房地証字第C4607074號 (Yue Fang Di Zheng Zi No. C4607074)	7 (Storage)	5	2002	28,381.21
粵房地証字第C4607082號 (Yue Fang Di Zheng Zi No. C4607082)	10 (Canteen)	5	2006	9,304.73
粵房地証字第C4610028號 (Yue Fang Di Zheng Zi No. C4610028)	12 (Quarters)	6	2006	6,079.06
粵房地証字第C4610029號 (Yue Fang Di Zheng Zi No. C4610029)	13 (Quarters)	6	2004	6,079.06
粵房地証字第C4607084號 (Yue Fang Di Zheng Zi No. C4607084)	14 (Quarters)	6	2004	6,079.06
粵房地証字第C4610037號 (Yue Fang Di Zheng Zi No. C4610037)	15 (Quarters)	6	2003	6,079.06
粵房地証字第C4610030號 (Yue Fang Di Zheng Zi No. C4610030)	17 (Quarters)	6	2003	6,079.06
粵房地証字第C4607079號 (Yue Fang Di Zheng Zi No. C4607079)	18 (Quarters)	6	2006	6,079.06
粵房地証字第C4607078號 (Yue Fang Di Zheng Zi No. C4607078)	19 (Quarters)	6	2006	6,079.06
粵房地証字第C4607077號 (Yue Fang Di Zheng Zi No. C4607077)	20 (Quarters)	6	2003	6,079.06
粵房地証字第C4607076號 (Yue Fang Di Zheng Zi No. C4607076)	21 (Quarters)	6	2003	6,079.06
粵房地証字第C4607075號 (Yue Fang Di Zheng Zi No. C4607075)	22 (Quarters)	6	2003	6,079.06
粵房地証字第C4607083號 (Yue Fang Di Zheng Zi No. C4607083)	23 (Quarters)	6	2003	6,027.35

8) Pursuant to three sets of Certificate of Real Estate Property Ownership dated 28 April 2007 issued by Qingyuan City People's Government, the ownership of three blocks of building in the property is vested in Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited. The details of the said certificates are summarized as follows:

Certificate No.	**Block No.**	**No. of Storey**	**Year Built**	**Gross Floor Area** *(sq.m.)*
粵房地証字第C4607612號 (Yue Fang Di Zheng Zi No. C4607612)	8 (Quarters)	6	2006	6,027.35
粵房地証字第C4607611號 (Yue Fang Di Zheng Zi No. C4607611)	9 (Quarters)	6	2006	6,027.35
粵房地証字第C4607613號 (Yue Fang Di Zheng Zi No. C4607613)	16 (Quarters)	6	2003	6,079.06

9) We understand that the land use right of part of the land in the property with a site area of approximately 31,747.51 sq.m. has not been obtained. In the course of our valuation, we have not taken into account the value of such part of the land and of any buildings and/or structures in the property, the Certificate of Real Estate Property Ownership of which have not been obtained.

10) The opinion of Hills & Co. is summarized as below:

a) Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited is the legal owner to the land use rights of the land together with the buildings erected thereon and is entitled to occupy, use, transfer, lease and mortgage such property (See also Note 10b below).

b) The land grant premium, except part of that relating to the land use rights mentioned in Notes 4 and 6 above, has been settled in full. Hence, the land parcels mentioned in Note 6 above are transferable only upon settlement of the outstanding land grant premium.

c) The property has been mortgaged in favour of Agricultural Bank of China, Qingyuan Branch.

d) The property is being used in accordance with its permitted use.

e) The buildings in the property are subject to a seizure by Qingyuan City Building Administration Bureau on the reason that there were still some outstanding documents needed to be filed for construction completion examination procedure. Yet, upon submission of those outstanding documents, the said seizure will be released.

11) We have prepared our valuation on the following assumptions:

(a) The Group is in possession of a proper legal title to the property and is entitled to transfer the property together with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government.

(b) The land grant premium has been settled in full.

(c) The said seizure mentioned in Note 10e above would have been released.

12) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as fo1lows:

Contract of Transfer of Land Use Rights	Yes
Certificates of State-owned Land Use (part)	Yes
Certificate of Real Estate Property Ownership (part)	Yes

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2009
5. The western portion of Ngai Lik Industrial Park, Longtang Town, Qingcheng District, Qingyuan City, Guangdong Province, the PRC	Ngai Lik Industrial Park (the "Development") is an industrial complex of various blocks of buildings and ancillary structures erected on an irregular-shaped site with a total site area of 667,336.67 sq.m. (or 7,183,212 sq.ft.). It is located off the southwestern side of Route 107 National Highway at Sanjialing in Longtang Town of Qingcheng District of Qingyuan City. The property comprises the western portion of the Development having a site area of approximately 407,537.15 sq.m. (or 4,386,730 sq.ft.) together with 3 blocks of 1 to 2-storey workshop/ warehouse building, 1 block of 3-storey office building, 1 block of 5-storey canteen building and 2 blocks of 6-storey dormitory building and various ancillary structures erected thereon. All buildings and structures appeared to be completed in the period between 2004 and 2006. The total gross floor area of the buildings is approximately 24,282.70 sq.m. (or 261,379 sq.ft.). The land use rights of part of the land with a site area of approximately 243,720.90 sq.m. (or 2,623,412 sq.ft.) in the property have been granted for a term due to expire on 7 August 2053 and 21 December 2056 for industrial use.	The property is currently either occupied by the Group for manufacture and ancillary uses or vacant.	HK$77,000,000

Notes:

1) Pursuant to the Contract for Transfer of State-owned Land Use Rights entered into between Qingyuan City Qingcheng District Longtang Economic Development Head Company ("Party A") and Faithful Lion Limited ("Party B") on 25 July 2002, Party A agreed to transfer a parcel of land, having a site area of 1,001 mu (equivalent to approximately 667,336.67 sq.m.), located at an area locally known as 三加嶺 (Sanjialing) in Longtang Town in Qingcheng District of Qingyuan City to Party B.

2) Pursuant to the Certificate of State-owned Land Use 清市府國用(2003)第00519號 (Qing Shi Fu Guo Yong (2003) No. 00519) dated 13 August 2003 issued by Qingyuan Municipal Peoples' Government, the land use right of a parcel of land designated as Lot No. G1200507 with a site area of 186,699.76 sq.m. was granted to Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited for industrial use for a term due to expire on 7 August 2053.

3) Pursuant to the Certificate of State-owned Land Use 清市府國用(2006)第00948號 (Qing Shi Fu Guo Yong (2006) No. 00948) dated 30 December 2006 issued by Qingyuan Municipal Peoples' Government, the land use right of a parcel of land designated as Lot No. G1200530 with a site area of 200,499.16 sq.m. was granted to Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited for industrial use for a term due to expire on 21 December 2056. The said parcel of land was subsequently sub-divided into portions, two of which having respective sub-divided site areas of 13,741.99 sq.m and 167,832.50 sq.m. with two sets of Certificate of State-owned Land Use 清市府國用(2008)第00489號 (Qing Shi Fu Guo Yong (2008) No. 00489) and 清市府國用(2008)第00490號 (Qing Shi Fu Guo Yong (2008) No. 00490) issued on 24 December 2008.

4) Pursuant to two sets of Certificate of State-owned Land Use 清市府國用(2008)第00489號 (Qing Shi Fu Guo Yong (2008) No. 00489) and 清市府國用(2008)第00490號 (Qing Shi Fu Guo Yong (2008) No. 00490) dated 24 December 2008 issued by Qingyuan Municipal Peoples' Government, the land use rights of two parcels of land designated as Lot Nos. G1200544 and G1200545 with a total site area of 181,574.49 sq.m. was granted to Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited for industrial use for a term due to expire on 21 December 2056.

5) Pursuant to two sets of Certificate of Real Estate Property Ownership dated 28 April 2007 issued by Qingyuan City People's Government, the ownership of two blocks of buildings in the property is vested in Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited. The details of the said certificates are summarized as follows:

Certificate No.	Block No.	No. of Storey	Year Built	Gross Floor Area *(sq.m.)*
粵房地証字第C4607609號 (Yue Fang Di Zheng Zi No. C4607609)	41 (Quarters)	6	2006	6,119.87
粵房地証字第C4607610號 (Yue Fang Di Zheng Zi No. C4607610)	42 (Quarters)	6	2006	6,119.87

6) Pursuant to five sets of Certificate of Real Estate Property Ownership dated 11 May 2007 issued by Qingyuan City People's Government, the ownership of two blocks of buildings in the property is vested in Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited. The details of the said certificates are summarized as follows:

Certificate No.	Block No.	No. of Storey	Year Built	Gross Floor Area *(sq.m.)*
粵房地証字第C4607081號 (Yue Fang Di Zheng Zi No. C4607081)	44 (Canteen)	5	2005	9,676.57
粵房地証字第C4610032號 (Yue Fang Di Zheng Zi No. C4610032)	52 (Office)	3	2005	1,223.43
粵房地証字第C4607086號 (Yue Fang Di Zheng Zi No. C4607086)	53 (Factory)	1	2005	1,728.00
粵房地証字第C4607087號 (Yue Fang Di Zheng Zi No. C4607087)	54 (Factory)	2	2006	497.34
粵房地証字第C4610031號 (Yue Fang Di Zheng Zi No. C4610031)	55 (Storage)	1	2005	477.62

7) We understand that the land use right of part of the land in the property with a site area of approximately 163,816.25 sq.m. has not been obtained. In the course of our valuation, we have not taken into account the value of such part of the land and of any buildings and/or structures in the property, the Certificate of Real Estate Property Ownership of which have not been obtained.

8) The opinion of Hills & Co. is summarized as below:

a) Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited is the legal owner to the land use rights of the land together with the buildings erected thereon and is entitled to occupy, use, transfer, lease and mortgage such property (See also Note 8b below).

b) The land grant premium, except part of that relating to the land use rights mentioned in Notes 3 and 4 above, has been settled in full. Hence, the land parcels mentioned in Note 4 above are transferable only upon settlement of the outstanding land grant premium.

c) The property has been mortgaged in favour of Agricultural Bank of China, Qingyuan Branch.

d) The property is being used in accordance with its permitted use.

e) The buildings in the property are subject to a seizure by Qingyuan City Building Administration Bureau on the reason that there were still some outstanding documents needed to be filed for construction completion examination procedure. Yet, upon submission of those outstanding documents, the said seizure will be released.

9) We have prepared our valuation on the following assumptions:

(a) The Group is in possession of a proper legal title to the property and is entitled to transfer the property together with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government.

(b) The land grant premium has been settled in full.

(c) The said seizure mentioned in Note 8e above would have been released.

10) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as fo1lows:

Contract of Transfer of Land Use Rights	Yes
Certificates of State-owned Land Use (part)	Yes
Certificate of Real Estate Property Ownership (part)	Yes

Group III – Property held for sale by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2009
6. The industrial complex known as Ngai Lik Industrial City, Longping Highway, Guanjingtou, Fenggang Town, Dongguan City, Guangdong Province, the PRC	The property comprises an industrial complex known as Ngai Lik Industrial City, which is erected on an irregular-shaped site formed by various parcels of land having a total site area of approximately 173,565.32 sq.m. (1,868,257 sq.ft.). It is located on the southern side of Longping Highway within Fenggang Town of Dongguan City. Major buildings include 5 blocks of 2 to 5-storey workshop/warehouse building, 1 block of 5-storey canteen building and 21 blocks of 5 to 7-storey staff quarters building. The property includes also some 1 to 2-storey ancillary buildings and structures for office, workshop and storage uses. All buildings and structures appeared to be completed in the period between 1991and 2005. The total gross floor area of the various buildings and structures is approximately 198,297.14 sq.m. (or 2,134,470 sq.ft.), excluding the additional structures erected on roof top of various workshop and staff quarters buildings which have a total gross floor area of approximately 12,246.28 sq.m. (or 131,818 sq.ft.) *(See Notes 10 and 11 below)*. The land use rights of portions of the subject site with a site area of 124,176.10 sq.m. (or 1,336,632 sq.ft.) in the property have been granted for a term due to expire on 18 September 2056 for industrial use.	The property is assumed to be vacant *(See Notes 12 and 14)*.	HK$214,000,000 *(See Notes 10 and 11 below)*

Notes:

1) Pursuant to the Agreement for Transfer of Land on 27th December 1990, the Supplementary Agreement for Transfer to Land Use Right dated 18th August 1991 and the supplementary Agreement for Transfer of Land Use Right dated 30th March 1993 entered into between 東莞市鳳崗鎮井頭管理區 (Dongguan Fenggang Guanjintou Management Area) ("Party A") and 香港萬年世紀企業有限公司 (Million Age Enterprise Limited, subsequently replaced by 香港毅力電子國際有限公司 (Ngai Lik Electronics International Limited) ("Party B"), a parcel of land located at an area locally known as 石橋頭 (Shi Qiao Tou), having a site area of 42,925 sq.m. has been agreed to be transferred from Party A to Party B for a land use term of 50 years from 1st January, 1991 to 31st December 2040 for industrial and ancillary uses.

2) Pursuant to the Contract for Transfer of Land Use Rights entered into between Dongguan Fenggang Guanjintou Management Area ("Party A") and 毅力集團萬年世紀企業有限公司 (Millian Age Enterprise Limited)("Party B") on 1st March 1997, the land use rights of a parcel of land located at an area locally known as 鷹山門 (Ying Shan Men) with a site area of approximately 88,830.30 sq.m. was agreed to be transferred from Party A to Party B for a consideration of RMB4,263,854.40 for a land use term of 50 years form 1st March 1997 to 1 March 2047 for industrial and ancillary uses.

3) Pursuant to the Letter of Transfer entered into between 李子林 (Li Zi Lin) and Ngai Lik Electronics International Limited on 6th January 1998, the land use rights of a parcel of land located at an area locally known as 勾骨頭 (Gou Gu Tou) with a site area of approximately 25 mu (or 16,666.75 sq.m.) was agreed to be transferred to 毅力集團公司 (Ngai Lik Group).

4) Pursuant to the Agreement for Transfer of Land Use Rights entered into between Dongguan Fenggang Guanjintou Management Area ("Party A") and 毅力集團有限公司 (Ngai Lik Holdings Limited) ("Party B") on 1st September 2001, the land use rights of a parcel of land with a site area of approximately 32,722.47 sq.m. was agreed to be transferred from Party A to Party B for a consideration of RMB1,308,898.80 for a land use term of 50 years from 1st October 2001 to 30th September 2051 for industrial and ancillary uses.

5) Pursuant to the Certificate of Collective Land Use 東府集用(1992)第1900220200003號 (Dong Fu Ji Yong (1992) No. 1900220200003) dated 19th June 2007 issued by People's Government of Dongguan City, the land use rights of a parcel of land at Guanjingtou Village in Fenggang Town, with a site area of 18,524.00 sq.m., is held by 東莞鳳崗毅力電子有限公司 (Dongguan Fenggang Ngai Lik Electronics Co., Ltd.), an 87%-owned subsidiary of the Company, by way of circulated transfer (流轉出讓) for industrial use for a term due to expire on 18th September 2056.

6) Pursuant to the Certificate of Collective Land Use 東府集用(1993)第1900220200002號 (Dong Fu Ji Yong (1993) No. 1900220200002) dated 19th June 2007 issued by People's Government of Dongguan City, the land use rights of a parcel of land at Guanjingtou Village in Fenggang Town, with a site area of 24,149.00 sq.m., is held by Dongguan Fenggang Ngai Lik Electronics Co., Ltd. by way of circulated transfer for industrial use for a term due to expire on 18th September 2056.

7) Pursuant to the Certificate of Collective Land Use 東府集用(1999)字第1900220211811號 (Dong Fu Ji Yong (1999) No. 1900220211811) dated 19th June 2007 issued by People's Government of Dongguan City, the land use rights of a parcel of land at Guanjingtou Village in Fengang Town, with a site area of 75,005.40 sq.m., is held by Dongguan Fenggang Ngai Lik Electronics Co., Ltd. by way of circulated transfer for industrial use for a term due to expire on 18th September 2056.

8) Pursuant to the Certificate of Collective Land Use 東府集用(2008)字第1900220216012號 (Dong Fu Ji Yong (2008) No. 1900220216012) dated 2nd February 2008 issued by People's Government of Dongguan City, the land use rights of a parcel of land at Guanjingtou Village in Fengang Town, with a site area of 6,497.70 sq.m., is held by Dongguan Fenggang Ngai Lik Electronics Co., Ltd. by way of circulated transfer for industrial use for a term due to expire on 18th September 2056.

9) Pursuant to twenty-eight sets of Certificate of Real Estate Property Ownership issued by Dongguan City People's Government, the ownership of twenty-eight blocks of buildings in the property are vested in Dongguan Fenggang Ngai Lik Electronics Co., Ltd. for industrial use. The details of the said certificates are summarized as follows:

Certificate No.	Date of Issue	Block No.	No. of Storey	Year Built	Gross Floor Area *(sq.m.)*
粵房地證字第C1043749號 (Yue Fang Di Zheng Zi No. C1043749)	30 July 2002	10 (Quarters)	5	1991	3,409.60
粵房地證字第C1043750號 (Yue Fang Di Zheng Zi No. C1043750)	30 July 2002	2 (Factory)	5	1991	6,848.80
粵房地證字第C1043751號 (Yue Fang Di Zheng Zi No. C1043751)	30 July 2002	3 (Factory)	5	1991	6,848.80
粵房地證字第C1043752號 (Yue Fang Di Zheng Zi No. C1043752)	30 July 2002	7 (Canteen)	3	1991	4,206.20
粵房地證字第C1043753號 (Yue Fang Di Zheng Zi No. C1043753)	30 July 2002	11 (Quarters)	5	1991	3,409.60
粵房地證字第C1043754號 (Yue Fang Di Zheng Zi No. C1043754)	30 July 2002	12 (Quarters)	5	1991	3,409.60
粵房地證字第C1043755號 (Yue Fang Di Zheng Zi No. C1043755)	30 July 2002	1 (Factory)	5	1991	6,848.80
粵房地證字第C1043756號 (Yue Fang Di Zheng Zi No. C1043756)	30 July 2002	14 (Quarters)	6	1991	3,682.20
粵房地證字第C1043757號 (Yue Fang Di Zheng Zi No. C1043757)	30 July 2002	4 & 5 (Factory)	6	1991	24,125.46
粵房地證字第C1043758號 (Yue Fang Di Zheng Zi No. C1043758)	30 July 2002	8 (Office)	3	1991	3,515.62
粵房地證字第C1043759號 (Yue Fang Di Zheng Zi No. C1043759)	30 July 2002	9 (Senior Staff Quarters)	5	1991	2,406.76
粵房地證字第C1043760號 (Yue Fang Di Zheng Zi No. C1043760)	30 July 2002	13 (Quarters)	6	1991	3,682.20
粵房地證字第C1043761號 (Yue Fang Di Zheng Zi No. C1043761)	30 July 2002	15 (Quarters)	6	1991	3,682.20
粵房地證字第C1043762號 (Yue Fang Di Zheng Zi No. C1043762)	30 July 2002	16 (Quarters)	6	1991	3,682.20
粵房地證字第C1160815號 (Yue Fang Di Zheng Zi No. C1160815)	19 August 2002	6 (Quarters)	6	1999	8,406.90
粵房地證字第C1160816號 (Yue Fang Di Zheng Zi No. C1160816)	19 August 2002	B (Factory)	5	1999	6,546.60
粵房地證字第C1160817號 (Yue Fang Di Zheng Zi No. C1160817)	19 August 2002	5 (Quarters)	6	1999	8,406.90
粵房地證字第1691932號 (Yue Fang Di Zheng Zi No. 1691932)	31 December 1998	Canteen	2	1998	4,824.52
粵房地證字第1691933號 (Yue Fang Di Zheng Zi No. 1691933)	31 December 1998	A (Quarters)	6	1998	4,034.10
粵房地證字第1691934號 (Yue Fang Di Zheng Zi No. 1691934)	31 December 1998	B (Quarters)	6	1998	4,034.10
粵房地證字第1691958號 (Yue Fang Di Zheng Zi No. 1691958)	22 March 1999	Factory (A)	2	1998	41,228.77
粵房地證字第1691959號 (Yue Fang Di Zheng Zi No. 1691959)	22 March 1999	D (Quarters)	6	1998	4,034.10

Certificate No.	Date of Issue	Block No.	No. of Storey	Year Built	Gross Floor Area (sq.m.)
粵房地證字第1691960號 (Yue Fang Di Zheng Zi No. 1691960)	22 March 1999	C (Quarters)	6	1998	4,034.10
粵房地證字第C3338782號 (Yue Fang Di Zheng Zi No. C3338782)	4 September 2007	H (Factory)	5	1999	10,356.65
粵房地證字第C3338783號 (Yue Fang Di Zheng Zi No. C3338783)	4 September 2007	C (Factory A)	5	1999	9,995.00
粵房地證字第C3338784號 (Yue Fang Di Zheng Zi No. C3338784)	4 September 2007	Power Plant	1	1999	1,617.56
粵房地證字第C3338785號 (Yue Fang Di Zheng Zi No. C3338785)	4 September 2007	Power Plant Dormitory	3	1999	1,024.80
粵房地證字第C3338786號 (Yue Fang Di Zheng Zi No. C3338786)	4 September 2007	C (Factory B)	5	1999	9,995.00

10) We have been advised that Certificates of Building Ownership/Certificates of Real Estate Ownership for some of the buildings and all structures erected on those portions of land with transferable land use rights in the property have not been obtained. The total gross floor area for these buildings and structures is approximately 81,207.53 sq.m. (excluding the total gross floor area for the additional structures erected on rooftop of various workshop and staff quarters buildings mentioned in Note 9, which have a total gross floor area of approximately 12,246.28 sq.m.). In the course of our valuation, we have not taken into account the value derived from these buildings and structures.

11) We have been further advised that transferable land use rights of portions of the land with a total site area of approximately 49,389.22 sq.m. in the property have not been obtained. In the course of our valuation, we have not taken into account the value derived from these portions of land together with buildings and structures thereof.

12) Pursuant to the Sale and Purchase Agreement dated 4 July 2008 entered into between Dongguan Fenggang Ngai Lik Electronics Co., Ltd., (the "Vendor") and 陽江市源泰投資有限公司 (Yang Jiang Yuan Tai Investment Limited, the "Purchaser"), the Vendor agreed to sell and the Purchaser agreed to purchase the property at a consideration of HK$230,000,000.

13) According to the sale and purchase agreement mentioned in Note 12, the Vendor is only responsible for the relevant tax expenses pertaining to the consideration of RMB20,000,000 assigned to the land use rights. All of the tax expenses attributable to the rest of the consideration (i.e. in excess of the RMB20,000,000) pertaining to the disposal are borne by the Purchaser. In view of the above, the potential tax liabilities that may arise based on the sale and purchase agreement mentioned in Note 12, as advised by the Company, would be an aggregate amount of approximately HK$7,779,000, which mainly includes land appreciation tax of approximately HK$4,739,000, enterprise profit tax of approximately HK$1,919,000 and business tax and stamp duty in aggregate of approximately HK$1,121,000.

14) We have been advised that the consideration mentioned in Note 12 above has not been fully settled and the property is still held by the Group. However, the rental income from the leased portion of the property, if any, has been vested in the Purchaser in accordance with the conditions of the said sale and purchase agreement mentioned in Note 12. Hence, in the course of our valuation, we, as instructed, valued the property on the basis of immediate vacant possession is available.

15) The opinion of Hills & Co. is summarized as below:

(a) Dongguan Fenggang Ngai Lik Electronics Co., Ltd., is the legal owner to the land use rights of the four parcels of land with a total site area of 124,176.10 sq.m. together with 28 blocks of buildings having a total gross floor area 198,297.14 sq.m. erected thereon and is entitled to transfer, lease and mortgage such property.

(b) The four parcels of land together with 23 of the 28 blocks of buildings mentioned in Note 14a above with a total gross floor area of 165,308.13 sq.m. have been mortgaged in favour of Agricultural Bank of China, Dongguan Branch. Such land parcels and buildings cannot be bestowed, transferred, leased, re-mortgaged or disposed of by any other way without the prior consent from the mortgagee.

(c) The property mentioned in Note 15a above is not subject to any unusual contract terms and conditions.

(d) For portions of the property the Certificates of Building Ownership/Real Estate Property Ownership of which have not been obtained, the tenancy agreements they are currently subject to cannot be enforced.

(e) According to the confirmation letter issued by Dongguan Fenggang Ngai Lik Electronics Co., Ltd., the tenancy agreements and the supplements were executed properly. There were no breach of contract terms or any issue that might lead to variation or recessing the tenancy agreements. There were no query or penalty from the relevant government authorities.

(f) According to the confirmation letter issued by Dongguan Fenggang Ngai Lik Electronics Co., Ltd., there were no notice, order or proposal from relevant government authorities that would affect the whole or any part thereof or the value of the leased portions of the property the Certificates of Building Ownership of which have been obtained and there did not exist any condition that would substantially affect Dongguan Fenggang Ngai Lik Electronics Co., Ltd. to continue its leasing of such property in accordance with the relevant tenancy agreements.

(g) For the leased portions of the property, the Certificate of Building Ownership of which have been obtained, the individual tenants have the pre-emption rights to the respective portions they are occupied. Dongguan Fenggang Ngai Lik Electronics Co., Ltd. cannot transfer the leased portions of the property to third party unless the individual tenants have stated explicitly to give up their pre-emption rights or have not exercised such rights within a reasonable period upon receiving the notice of property transfer. Pursuant to the confirmation from the Company, all the individual tenants have signed the relevant documents to give up their pre-emption rights.

(h) For the leased portions of the property, the Certificate of Building Ownership of which have been obtained, the individual tenants, upon expiry of the respective tenancies, have the priority to lease such property under the same terms and conditions offered. Yet, Dongguan Fenggang Ngai Lik Electronics Co., Ltd. has the right to use such leased property for other use.

16) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as fo1lows:

Contract of Transfer of Land Use Rights	Yes
Certificate of Collective Land Use (part)	Yes
Certificate of Real Estate Property Ownership (part)	Yes

Group IV – Properties held for investment by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2009
7. The industrial complex located at Daling Industrial District, Youganpu Village, Fenggang Town, Dongguan City, Guangdong Province, the PRC	The subject industrial complex is erected on three separated irregular-shaped sites designated as Sites A, B and C with a total site area of approximately 41,819.50 sq.m. (450,145 sq.ft.). The three sites are located on both the northeastern (Site A) and the southwestern (Sites B and C) sides of an access road in Daling Industrial District, Youganpu Village, Fenggang Town, Dongguan. The property comprises all buildings and structures erected on the three sites completed in the period between 1998 and 2003. Buildings and structures currently standing on Site A comprise a 4-storey office building, a 3-storey workshop building, a 4-storey senior staff dormitory building, a 6-storey dormitory building and some 1-storey ancillary structures including a testing/laboratory house, an electricity plant house, a pump house, an air-compression plant house, a kitchen, three guardhouses and a lavatory. Site B comprises a 3-storey office building, two 1-storey workshop buildings, a 2-storey warehouse building, two 3-storey staff quarters and some 1-storey ancillary structures including an electricity plant house, a guardhouse, 2 warehouses and a lavatory. Buildings and structures erected on Site C comprise a 3-storey office building, a 1-storey workshop/warehouse building and three blocks of 1-storey ancillary structures including a staff quarters, a kitchen, a lavatory, a guardhouse and a store.	The property is subject to three separate tenancies at a total monthly rental of RMB254,593.25 with the latest expiry date on 31 December 2009.	HK$69,000,000

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2009
7. (Cont'd)	The total gross floor area of the property is approximately 44,825.03 sq.m. (482,497 sq.ft.), excluding the total floor areas of approximately 1,824.22 sq.m. (19,636 sq.ft.) for the structures thereof. The land use rights of the property have been granted for industrial use for terms of 50 years due to expire on 22 March 2055 (re: Site C only) and 24 July 2055 (re: Sites A and B).		

Notes:

1) Pursuant to five sets of Certificate of Real Estate Ownership dated 19 December 2006 issued by People's Government of Dongguan City, the land use right of the land at District A, designated as Lot No. 1922030200357 with a site area of 21,796.00 sq.m., together with the buildings erected thereon has been granted to Dongguan Fenggang Ngai Lik Electronics Co., Ltd. for a term due to expire on 24 July 2055 for industrial use. Details of said certificates are summarized in the table below:

Certificate No.	Block No.	No. of Storey	Year Built	Gross Floor Area *(sq.m.)*
粵房地證字第C4949234號 (Yue Fang Di Zheng Zi No. C4949234)	Quarter	6	1998	5,017.92
粵房地證字第C4949236號 (Yue Fang Di Zheng Zi No. C4949236)	Senior Staff Quarter	4	1998	2,285.04
粵房地證字第C4949237號 (Yue Fang Di Zheng Zi No. C4949237)	Office Building	4	1998	3,688.20
粵房地證字第C4949238號 (Yue Fang Di Zheng Zi No. C4949238)	Factory B	3	1998	8,975.39
粵房地證字第C4949239號 (Yue Fang Di Zheng Zi No. C4949239)	Factory A	3	1998	9,763.08

2) Pursuant to six sets of Certificate of Real Estate Ownership dated 19 December 2006 issued by People's Government of Dongguan City, the land use right of the land at District B, designated as Lot No. 1922030200356 with a site area of 13,153.00 sq.m., together with the buildings erected thereon has been granted to Dongguan Fenggang Ngai Lik Electronics Co., Ltd. for a term due to expire on 24 July 2055 for industrial use. Details of said certificates are summarized in the table below:

Certificate No.	**Block No.**	**No. of Storey**	**Year Built**	**Gross Floor Area** *(sq.m.)*
粵房地證字第C4949223號 (Yue Fang Di Zheng Zi No. C4949223)	Quarter B	3	1998	2,152.71
粵房地證字第C4949224號 (Yue Fang Di Zheng Zi No. C4949224)	Quarter A	3	1998	2,064.96
粵房地證字第C4949225號 (Yue Fang Di Zheng Zi No. C4949225)	Office Building	3	1998	864.37
粵房地證字第C4949226號 (Yue Fang Di Zheng Zi No. C4949226)	Factory A	1	1998	2,323.86
粵房地證字第C4949227號 (Yue Fang Di Zheng Zi No. C4949227)	Factory C	2	1998	2,169.68
粵房地證字第C4949228號 (Yue Fang Di Zheng Zi No. C4949228)	Factory B	1	1998	1,575.42

3) Pursuant to two sets of Certificate of Real Estate Ownership dated 19 December 2006 issued by People's Government of Dongguan City, the land use right of the land at District C, designated as Lot No. 1922030200355 with a site area of 6,870.50 sq.m., together with the buildings erected thereon has been granted to Dongguan Fenggang Ngai Lik Electronics Co., Ltd. for a term due to expire on 22 March 2055 for industrial use. Details of said certificates are summarized in the table below:

Certificate No.	**Block No.**	**No. of Storey**	**Year Built**	**Gross Floor Area** *(sq.m.)*
粵房地證字第C4949221號 (Yue Fang Di Zheng Zi No. C4949221)	Factory	1	1998	3,259.20
粵房地證字第C4949222號 (Yue Fang Di Zheng Zi No. C4949222)	Office Building	3	1998	685.20

4) The opinion of Hills & Co. is summarized as below:

a) Dongguan Fenggang Ngai Lik Electronics Co., Ltd. is the legal owner to the land use rights of the land together with the buildings erected thereon and is entitled to occupy, use, transfer, lease and mortgage such property.

b) The land grant premium has been settled in full.

c) The property is subject to mortgages in favour of Heng Seng Bank, Shenzhen Branch. The property cannot be bestowed, transferred, leased, re-mortgaged or disposed of by any other way without the prior consent from the mortgagee.

d) The property is being used in accordance with its permitted use.

5) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as fo1lows:

Certificate of Real Estate Ownership	Yes

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2009
8. The industrial complex located at Hong Ying Industrial District, Tangli Management Area, Fenggang Town, Dongguan City, Guangdong Province, the PRC	The subject industrial complex is erected on an irregular-shaped site formed by two parcels of land having a total site area of approximately 104,948.10 sq.m. (1,129,661 sq.ft.) located on the eastern side of Gong Ye Avenue in Hong Ying Industrial District, Tangli Management Area, Fenggang Town, Dongguan. The property comprises 1 block of 3-storey office building, 6 blocks of 1 to 2-storey workshop building, 3 blocks of 6-storey dormitory building, 1 block of 2-storey canteen building and other 1-storey ancillary buildings including dangerous goods warehouse, electricity plant house, gas house and guardhouse and various steel sheds. All buildings and structures appear to have been completed in the period between 2002 and 2004. The total gross floor area of the property (excluding the various steel sheds) is approximately 97,090.63 sq.m. (1,045,084 sq.ft.).	The property is subject to various individual tenancies at a total monthly rental of RMB399,394.26 with the latest expiry date on 30 June 2015. The vacant portion of the property accounts for approximately 24% of its total gross floor area.	HK$139,000,000

Notes:

1) We have been advised by the Group that the land use rights of the two parcels of land in the property were obtained by way of transfer from 東莞市鳳崗鎮經濟發展總公司 (Dongguan City Fenggang Town Economic Development Head Company) and that application for obtaining the proper legal title to the land use rights of the land in the property has been made with the land grant premium payable to the relevant land management authorities in relation to the grant of land use rights of the subject parcels of land partly settled.

2) The opinion of Hill & Co. is summarized as below:

   a) Dongguan City Fenggang Town Economic Development Head Company has obtained the Certificate of State-owned Land Use 東府國用(1995)字特1號 (Dong Fu Guo Yong (1995) Zi No. Te 1) and 東府國用(1995)字特3號 (Dong Fu Guo Yong (1995) Zi No. Te 3) in respect of the land parcels mentioned in Note 1 and is entitled to transfer the land to Dongguan Fenggang Ngai Lik Electronics Co., Ltd.

   b) The contracts in relation to the transfers of the land parcels to Dongguan Fenggang Ngai Lik Electronics Co., Ltd. is valid. There will not be any legal impediment for Dongguan Fenggang Ngai Lik Electronics Company Limited to obtain the Certificate of State-owned Land Use.

   c) Construction completion examination procedure for the buildings in the property has not been conducted.

   d) Upon settlement of the outstanding land premium and completion of the relevant procedure for the registration of the transfer of ownership of the property, Dongguan Fenggang Ngai Lik Electronics Co., Ltd. will be issued the Certificate of State-owned Land Use and the Certificate of Real Estate Ownership of the property. Then, Dongguan Fenggang Ngai Lik Electronics Co., Ltd. will be entitled to transfer, lease and mortgage the property.

   e) There will not be any legal impediment for Dongguan Fenggang Ngai Lik Electronics Co., Ltd. in obtaining the Certificate of State-owned Land Use and the Certificate of Real Estate Ownership for the property.

   f) The property is free from encumbrance and is not subject to any unusual contract terms and conditions.

3) We have prepared our valuation on the following assumptions:

   a) The land use rights of the land in the property have been granted for a term of 50 years for industrial use.

   b) The Certificate of State-owned Land Use and the Certificate of Real Estate Ownership would have been issued to Dongguan Fenggang Ngai Lik Electronics Co., Ltd.

   c) The Group is in possession of a proper legal title to the property and is entitled to transfer the property together with the residual term of its land use rights at no extra land premium and other onerous charges payable to the government.

4) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as fo1lows:

Contract for Transfer of State-owned Land Use Rights	Yes
Certificate of State-owned Land Use (in the name of the transferor)	Yes
Certificate of Real Estate Ownership	No

1. RESPONSIBILITY STATEMENTS

This circular includes particulars given in compliance with the Takeovers Code and the Listing Rules for the purpose of giving information with regard to the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to the Subscriber, its associates and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular (other than those expressed by the Subscriber, its associates and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other matters or facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of the Subscriber jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to the Group, its associates and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other matters or 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 and immediately after Completion will be as follows:

Authorised:		*HK$*
1,200,000,000	Shares of HK$0.10 each as at 31 March 2009 and the Latest Practicable Date	120,000,000
10,800,000,000	Capital Reorganisation	–
12,000,000,000	Shares of HK$0.01 each upon completion of the Capital Reorganisation	120,000,000
Issued and fully paid:		
793,016,684	Shares as at 31 March 2009 and the Latest Practicable Date	79,301,668
–	Capital Reorganisation	(71,371,501)
7,137,150,000	Subscription Shares to be issued	71,371,500
7,930,166,684	Shares upon Completion	79,301,667

The new Shares after Capital Reorganisation and the Subscription Shares to be allotted and issued will be identical and rank pari passu with each other in all respects (including the rights of the Shareholders in respect of capital, dividends and voting).

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

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the chief executive of the Company and 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 Model 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:

		Number of Shares held		
Name of Directors	**Capacity/nature of interest**	**Long position**	**Short position**	**Percentage of total holding**
Lam Man Chan ("Dr. Lam)	Family interest	278,829,176 *(Note)*	–	35.16%
Ting Lai Ling ("Ms. Ting")	Family interest	278,829,176 *(Note)*	–	35.16%
Lam Shing Ngai ("Mr. Lam")	Family interest	278,829,176 *(Note)*	–	35.16%

Note: 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 or the chief executive of the Company 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 Model Code adopted by the Company, to be notified to the Company and the Stock Exchange.

(b) Share options

As at the Latest Practicable Date, all the share options granted to the Directors under the Share Option Scheme 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 associated companies which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

As at the Latest Practicable Date, there were no service contracts with the Group and the Company's associated companies in force for Directors (i) which (including both continuous and fixed terms contracts) have been entered into or amended within the Relevant Period; (ii) which 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 or chief executive of the Company, the following persons (other than the interests disclosed above in respect of certain directors and chief executive of the Company) 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:

			Number of Shares		
Name of Shareholders	*Note*	**Capacity/nature of interest**	**Long position**	**Short position**	**Percentage of holding**
Goodchamp Holdings Limited	1	Beneficial interest	278,829,176	–	35.16%
HSBC International Trustee Limited	1	Trustee interest	278,829,176	–	35.16%
Sinowin (PTC) Inc.	1	Trustee interest	278,829,176	–	35.16%
Success Pioneer	2	Beneficial interest	7,137,150,000	–	900.00%

Notes:

1. Goodchamp Holdings Limited 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.

2. The interest represents 7,137,150,000 Shares to be subscribed by the Subscriber under the Subscription Agreement.

Save as disclosed above and the Subscriber's interest in the Shares pursuant to the Subscription Agreement, as at the Latest Practicable Date, the Directors and chief executive of the Company 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, and 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) As at the Latest Practicable Date, no Shares had been borrowed or lent by any of the Directors or by the Company.

(c) 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 Subscription and/or the Whitewash Waiver or otherwise connected with any of them.

(d) 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.

(e) As at the Latest Practicable Date, no person has irrevocably committed themselves to vote for or against the resolutions to be proposed at the SGM. Three Directors, namely, Dr. Lam Man Chan, Ms. Ting Lai Ling and Mr. Lam Shing Ngai, have expressed their intention, in respect of their own beneficial shareholdings, to vote for the resolutions to be proposed at the SGM. As at the Latest Practicable Date, the other Directors did not have any Shares and thus will not be entitled to vote on the resolutions to be proposed at the SGM.

(f) As at the Latest Practicable Date, no benefit 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 Subscription and/or the Whitewash Waiver.

(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 but excluding exempt principal traders) 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) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) exists between the Subscriber or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription and/or the Whitewash Waiver.

(j) Save as the Subscriber's interest in the Shares pursuant to the Subscription Agreement, none of the Subscriber, any parties acting in concert with it and any of their respective directors owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, and none of them had dealt for value in any such securities during the Relevant Period.

(k) As at the Latest Practicable Date, there was no material contract entered into by the Subscriber in which any Director had a material personal interest.

(l) As at the Latest Practicable Date, no Shares had been borrowed or lent by the Subscriber or parties acting in concert with it.

(m) As at the Latest Practicable Date, the Subscriber or parties acting in concert with it or its associates had no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person. No person with whom the Subscriber or parties acting in concert with it or its associates had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date.

(n) As at the Latest Practicable Date, the Company does not hold any shares, convertible securities, warrants, options or derivatives of the Subscriber. During the Relevant Period, the Company did not deal in any shares, convertible securities, warrants, options or derivatives of the Subscriber.

6. MARKET PRICES

(a) The highest and lowest closing prices of the Shares as quoted on the Stock Exchange in the six-month period prior to the date of the Joint Announcement and up to the Latest Practicable Date was HK$0.34 on 11 July 2008 and HK$0.053 on 9 December 2008, respectively.

(b) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on the last business day of each of the calendar months during the period commencing six months preceding the date of the Joint Announcement and ending on the Latest Practicable Date on which trading of the Shares took place:

Date	**Closing Price** *HK$*
31 July 2008	0.295
29 August 2008	0.241
30 September 2008	0.200
31 October 2008	0.075
28 November 2008	0.059
31 December 2008	0.069
30 January 2009	0.092
27 February 2009	0.106
31 March 2009	0.083
30 April 2009	0.094
29 May 2009	0.138
30 June 2009	0.149
31 July 2009	0.148
31 August 2009	0.120
30 September 2009	0.110

(c) The closing price of the Shares on the Stock Exchange on 6 February 2009, being the last trading day pending the issue of the Joint Announcement was HK$0.127.

(d) The closing price of the Shares on the Stock Exchange on 19 December 2008, being the last trading day pending the issue of the announcement in accordance with Rule 3.7 of the Takeovers Code, was HK$0.069.

(e) The closing price of the Shares on the Stock Exchange on the Latest Practicable Date was HK$0.110.

7. LITIGATION

(a) The Group has appealed to the Board of Review (Inland Revenue Ordinance) against the determination made by the Inland Revenue Department ("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 Profit Tax (the "Tax Appeal"). The Board of Review delivered its decision (the "Board's Decision") of the Tax Appeal in February 2007 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.

On 24 July 2009, the CFA overturned the Board's Decision and the judgments of two lower courts and unanimously allowed the Said Subsidiary's appeal. The CFA concluded that the additional assessments in respect of the years of assessment 1991/92 to 1995/96 were not validly made by the IRD in accordance with the general anti-avoidance provision.

Accordingly, the CFA annulled all additional assessments issued to the Said Subsidiary but ordered the case be remitted back to the Board of Review, which in turn was directed to remit the case back to the IRD to issue new additional assessments for the years of assessment 1993/94 to 1995/96 on the profits that would hypothetically have been earned if the Said Subsidiary had entered into the transactions at arm's length prices.

(b) The Commissioner of Inland Revenue has issued a Writ in the District Court against the Said Subsidiary to recover a sum of approximately HK$33 million 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 but was dismissed in the District Court. The Said Subsidiary is seeking leave to appeal to the Court of Appeal of High Court. The hearing is fixed in February 2010.

(c) 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 GBP1,089,000 (equivalent to HK$12,088,000) and GBP12,126,000 (equivalent to HK$145,699,000) respectively. On 31 July 2009, 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 fully settled.

Saved as disclosed above, 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 Company or any of its retained subsidiaries.

8. 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; and

(b) the sale and purchase agreement dated 4 July 2008 and the supplemental agreement dated 28 July 2008 entered into between 東莞鳳崗毅力電子有限公司 (Dongguan Fenggang Ngai Lik Electronics Company Limited)* (as a vendor) and 陽江市源泰投資有限公司 (Yang Jiang Yuan Tai Investments Limited)* (as a purchaser) in respect of the disposal of the land area, together with blocks of buildings and facilities erected thereon, which is known as Ngai Lik Industrial City (being Property No.6 in Appendix III to this circular), situated at Longping Road, Guanjingtou, Fenggang Town, Dongguan City, Guangdong Province, the PRC.

9. EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this Circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
Quam Capital Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
B.I. Appraisals Limited	Independent professional valuer

As at the Latest Practicable Date, none of Deloitte Touche Tohmatsu, Quam Capital Limited and B.I. Appraisals Limited had any shareholding in any member of the Group nor 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 had 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.

Each of Deloitte Touche Tohmatsu, Quam Capital Limited and B.I. Appraisals Limited has given and has not withdrawn their respective written consents to the issue of this circular with the inclusion of their respective advice, letters and/or reports (as the case may be) and references to their names and logos in the form and context in which they respectively appear.

10. 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 offices of the Subscriber and McCallum VC are 2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands. The registered offices of Corporate Smart, Big Trophy and Best Kingdom are P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

(d) The registered office of Access Capital Limited is at Suite 606, 6/F., The Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

(e) The registered office of Somerley Limited is at 10/F., The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong.

(f) Each of Access Capital Limited and Somerley Limited has given and has not withdrawn their respective written consents to the issue of this circular with the reference to their names and logos in the form and context in which they respectively appear.

(g) The registered office of Quam Capital Limited is at Room 3208, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong.

(h) The branch share registrar and transfer office of the Company is Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(i) The company secretary of the Company is Mr. Yeung Cheuk Kwong, who is a fellow member of the Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants.

(j) The English language text of this circular shall prevail over the Chinese language text.

11. 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, 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 date of the SGM:

(a) the Bye-Laws of the Company and memorandum and articles of association of the Subscriber;

(b) the annual reports of the Company for the two years ended 31 March 2009;

(c) the accountants' report on the Group for the three years ended 31 March 2009, the text of which is set out in Appendix I to this circular;

(d) the accountants' report prepared by Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Retained Group upon Completion, the text of which is set out in Appendix II to this circular;

(e) the letter from the Independent Board Committee, the text of which is set out on pages 27 to 28 of this circular;

(f) the letter from Quam Capital Limited, the text of which is set out on pages 29 to 43 of this circular;

(g) the valuation report from B.I. Appraisals Limited, the text of which is set out in Appendix III to this circular;

(h) the material contracts referred to in the section headed "Material contracts" in this appendix; and

(i) the written consents referred to in this appendix.

NGAI LIK INDUSTRIAL HOLDINGS LIMITED
(毅力工業集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 332)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of Ngai Lik Industrial Holdings Limited (the "**Company**") will be held at Flat 29-32, 8/F., Block B, Focal Industrial Centre, 21 Man Lok Street, Hunghom, Kowloon, Hong Kong on 27 October 2009 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments the following resolutions:

SPECIAL RESOLUTION

Capital Reorganisation

1. "**THAT**, subject to the passing of resolution no. 3 of this notice and the Listing Committee of The Stock Exchange of Hong Kong Limited granting a listing of, and permission to deal in the new shares of the Company of par value of HK$0.01 each in issue arising from and pursuant to this resolution and compliance with the requirements of section 46(2) of the Companies Act 1981 of Bermuda (as amended) and with effect from the payment by the Investor of the aggregate price for the Subscription Shares as referred to in resolution no. 3 of this notice,

   (a) the par value of each issued share of the Company be reduced from HK$0.10 to HK$0.01 by the cancellation of HK$0.09 of the paid-up capital on each issued share of the Company (the "**Capital Reduction**");

   (b) each authorised but unissued share of HK$0.10 each in the capital of the Company be sub-divided into ten (10) shares of par value of HK$0.01 each;

   (c) the credit arising from the Capital Reduction be transferred to the contributed surplus account of the Company and the directors of the Company be and are hereby authorised to apply the amount in the contributed surplus account of the Company in any manner permitted by the laws of Bermuda and the Bye-Laws of the Company; and

   (d) the directors of the Company be and are hereby authorised to do all acts and things and execute all documents or make such arrangement as they may determine to be appropriate, necessary or desirable to give effect to or to implement the foregoing."

* *For identification purposes only*

ORDINARY RESOLUTIONS

Group Reorganisation

2. "**THAT**, subject to the passing of resolution no. 3 of this notice,

(a) transfer of all the equity interests in the Retained Subsidiaries (as defined in paragraph (d) of this resolution) by Ngai Lik (BVI) Limited ("Ngai Lik (BVI)") or its subsidiaries (as the case may be) to a wholly-owned subsidiary of the Company for a consideration of HK$1.00, and execution by Ngai Lik (BVI) and other relevant subsidiaries of the Company of all necessary transfer documentation to effect such transfer, be and are hereby approved;

(b) transfer of all the equity interests in Ngai Lik (BVI) together with its subsidiaries by the Company to a company wholly-owned by the Administrators (as defined in paragraph (d) of this resolution) for a consideration of HK$1.00 taking effect immediately following the completion of the transfer referred to in paragraph (a) of this resolution, and execution by the Company of all necessary transfer documentation as may be reasonably requested by the Administrators to effect such transfer, be and are hereby approved;

(c) the directors of the Company be and are hereby authorised to do all acts and things and execute all documents or make such arrangement as they may determine to be appropriate, necessary or desirable to give effect to or to implement the foregoing; and

(d) for the purpose of this resolution:

"Administrators" means the administrators sanctioned by the courts of Hong Kong and Bermuda in respect of the scheme of arrangement for the Company pursuant to Section 166 of the Hong Kong Companies Ordinance, and pursuant to Section 99 of The Companies Act 1981 of Bermuda; and

"Retained Subsidiaries" means Din Wai Services (Macao Commercial Offshore) Limited, Din Wai Digital Limited, Grand More Enterprises Limited, Ngai Lik Enterprises Limited and Ngai Lik Industrial Limited."

Subscription Agreement

3. "**THAT**,

(a) the entering into of and the terms and conditions of the following agreements be and are hereby approved, ratified and confirmed:

(i) the subscription agreement dated 9 February 2009 entered into between the Company and Success Pioneer Limited (the "**Investor**") in relation to, amongst other things, the subscription of 7,137,150,000 new shares of the Company of par value of HK$0.01 each (the "**Subscription Shares**") by the Investor (the "**Subscription Agreement**"), a copy of which marked "A" has been produced to the SGM and signed by the chairman of the SGM for the purpose of identification;

(ii) the first extension deed dated 11 March 2009 entered into between the Company and the Investor for the purpose of effecting time extension of certain notice under the Subscription Agreement, a copy of which marked "B" has been produced to the SGM and signed by the chairman of the SGM for the purpose of identification;

(iii) the second amendment deed dated 18 April 2009 entered into between the Company and the Investor for the purpose of effecting certain amendments to the terms of the Subscription Agreement, a copy of which marked "C" has been produced to the SGM and signed by the chairman of the SGM for the purpose of identification;

(iv) the third amendment deed dated 31 July 2009 entered into between the Company and the Investor for the purpose of extending the last day of certain period under the Subscription Agreement, a copy of which marked "D" has been produced to the SGM and signed by the chairman of the SGM for the purpose of identification;

(v) the fourth amendment deed dated 28 August 2009 entered into between the Company and the Investor for the purpose of extending the last day of certain period under the Subscription Agreement, a copy of which marked "E" has been produced to the SGM and signed by the chairman of the SGM for the purpose of identification; and

(vi) the fifth amendment deed dated 30 September 2009 entered into between the Company and the Investor for the purpose of effecting certain amendments to the terms of the Subscription Agreement, a copy of which marked "F" has been produced to the SGM and signed by the chairman of the SGM for the purpose of identification;

(b) all the transactions contemplated under the agreements referred to in paragraph (a) of this resolution including, without limitation to, the issue and allotment of the Subscription Shares by the Company to the Investor be and are hereby approved, ratified and confirmed; and

(c) the directors of the Company be and is hereby authorised to do all acts and things and execute all documents or make such arrangement as they may determine to be appropriate, necessary or desirable to give effect to or in connection with the agreements referred to in paragraph (a) of this resolution and the transactions contemplated therein."

Whitewash Waiver

4. "**THAT**, the waiver ("**Whitewash Waiver**") to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any delegate of the Executive Director) pursuant to Note 1 of the Notes on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers in respect of any obligation on the part of the Investor and parities acting in concert with it (including Mr. Kuok Hoi Sang, Mr. Lau Ching Kei, Mr. Tam Norman Hok Cheong and Mr. Yeung Kwai Tong), to make a mandatory general offer to shareholders of the Company for all the issued shares of the Company not already owned or agreed to be acquired by them which might otherwise arise as a result of the Investor subscribing for the Subscription Shares under the Subscription Agreement be and is hereby approved and the directors of the Company be and are hereby generally and unconditionally authorized to do all such things and take all such action as they may consider necessary or desirable, expedient or appropriate to give effect to any of the matters relating to, or incidental to, the Whitewash Waiver."

The Profit Sharing Arrangement

5. "**THAT**, subject to the passing of resolution no. 2 of this notice and the condition that the listing status of the Company will not be affected by the making of the payment referred to in paragraph (a) of this resolution,

(a) payment by the Retained Subsidiaries (as defined in paragraph (c) of this resolution) on a pro-rata basis to the Administrators (as defined in paragraph (c) of this resolution) or a company wholly-owned by the Administrators of 30% of net profit after tax (if any) generated by the Retained Subsidiaries on a combined basis in accordance with the audited financial statements of the Retained Subsidiaries audited by the Company's auditors for the time being for the following periods, and execution by the Retained Subsidiaries of all necessary documentation to effect or in connection with such payment, be and are hereby approved:

(i) the period commencing on and including the Effective Date (as defined in paragraph (c) of this resolution) and ending on 31 March 2010;

(ii) the year ending 31 March 2011;

(iii) the year ending 31 March 2012; and

(iv) the year ending 31 March 2013.

(b) the directors of the Company be and are hereby authorised to do all acts and things and execute all documents or make such arrangement as they may determine to be appropriate, necessary or desirable to give effect to or to implement the foregoing; and

(c) for the purpose of this resolution:

"**Administrators**" means the administrators sanctioned by the courts of Hong Kong and Bermuda in respect of the scheme of arrangement for the Company pursuant to Section 166 of the Hong Kong Companies Ordinance, and pursuant to Section 99 of The Companies Act 1981 of Bermuda;

"**Effective Date**" means the date on which the scheme of arrangement for the Company pursuant to Section 166 of the Hong Kong Companies Ordinance, and pursuant to Section 99 of The Companies Act 1981 of Bermuda becomes effective by virtue of the delivery of a copy of the order of the Hong Kong High Court sanctioning such scheme to the Registrar of Companies in Hong Kong and a copy of the order of the Supreme Court of Bermuda to the Registrar of Companies in Bermuda for registration and all conditions precedent to completion of the Subscription Agreement (except condition precedent (d)) have been fulfilled or waived; and

"**Retained Subsidiaries**" means Din Wai Services (Macao Commercial Offshore) Limited, Din Wai Digital Limited, Grand More Enterprises Limited, Ngai Lik Enterprises Limited and Ngai Lik Industrial Limited."

By order of the Board
Lam Man Chan
Chairman

Hong Kong, 30 September 2009

Principal place of business in Hong Kong:
Flat 29-32, 8th Floor
Block B, Focal Industrial Centre
21 Man Lok Street
Hunghom
Kowloon, Hong Kong

Notes:

(1) A form of proxy for use at the SGM is enclosed herewith.

(2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

(3) In the case of joint holders of a share if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy or by a duly authorised corporate representative, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

(4) The instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or their authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(5) Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual, or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.