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, other licensed corporation, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in North Asia Strategic Holdings Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, other licensed corporation or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

North Asia Strategic Holdings Limited
北亞策略控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8080)

POSSIBLE MAJOR TRANSACTION AND POSSIBLE VERY SUBSTANTIAL DISPOSALS RELATING TO THE SHAREHOLDERS' AGREEMENT

Financial adviser to North Asia Strategic Holdings Limited

Optima Capital Limited

A letter from the board of directors of North Asia Strategic Holdings Limited is set out on pages 8 to 19 of this circular.

A notice convening a special general meeting of North Asia Strategic Holdings Limited to be held at 78th Floor, The Center, 99 Queen's Road Central, Hong Kong at 10:00 a.m. on Wednesday, 20th August 2008 is set out on pages 163 to 164 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the Company's website at www.nasholdings.com.

21st July 2008

* *For identification purpose only*

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

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

"Acquisition"	the acquisition of the Sale Shares by NASS pursuant to the Agreement
"Agreement"	the agreement dated 30th April 2008 entered into among SMG and NASS in relation to the Acquisition
"Ajia Parties"	NASAC and Mr. Tsang
"API"	Ajia Partners Inc., a company incorporated in the Cayman Islands and the holding company of NASA
"associates"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"Business Divisions"	the 3 business divisions of TKC transferred from the Former Company (being the divisions engaged in the manufacturing of (i) polyester fiber; (ii) spandex; and (iii) PET resin)
"Closing Date"	30th June 2008, being the date of Completion
"Company"	North Asia Strategic Holdings Limited, a company incorporated in Bermuda with limited liability whose issued Shares are listed on GEM (stock code: 8080)
"Completion"	completion of the Agreement
"Convertible Bonds"	the convertible bonds issued by the Company and held by the Ajia Parties, with a total face value of HK$20 million which are convertible into new Shares at an initial conversion price of HK$0.1566 per Share (subject to adjustments)

"Conversion Deadline"	within 30 days of the Closing Date
"DIC"	Daewoo International Corporation, a joint stock corporation established under the laws of Korea whose shares are listed on the Korea Exchange
"Director(s)"	the director(s) of the Company
"Former Company"	Tongkook Corporation, a joint stock corporation established under the laws of Korea whose shares were delisted from the Korea Exchange in 2002
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)
"IPO Deadline"	within 36 months from the date of purchase of the TKC Preferred Shares
"Kyungnam"	Kyungnam Wool Textile Co., Ltd., a joint stock corporation established under the laws of Korea
"Latest Practicable Date"	17th July 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Macau"	the Macao Special Administrative Region of the PRC
"Mr. Cho"	Mr. Henry Kim Cho, the Deputy Chairman and an executive Director of the Company

"Mr. Chow"	Mr. Savio Chow Sing Nam, the Chief Executive Officer and an executive Director of the Company
"Mr. Malm"	Mr. Göran Sture Malm, the Chairman and an executive Director of the Company
"Mr. Tsang"	Mr. Moses Tsang Kwok Tai, a substantial Shareholder holding approximately 21.1% of the existing issued Shares who is also the chairman and managing partner of API
"Mr. Yao"	Mr. Andrew Yao Cho Fai, a non-executive Director of the Company
"NASA"	North Asia Strategic Advisors, a company incorporated in the Cayman Islands and a subsidiary of API
"NASAC"	North Asia Strategic Acquisition Corp., a company incorporated in the Cayman Islands and the controlling Shareholder holding approximately 46.1% of the existing issued Shares. NASA controls 100% of the voting capital of NASAC
"NASAC 2"	North Asia Strategic Acquisition Corp. 2, a company incorporated in the Cayman Islands, of which Mr. Malm and Mr. Chow are beneficially interested in 82.9% and 4.2% of the ordinary non-voting share capital while NASA controls 100% of the ordinary voting share capital
"NASAC 2 Agreement"	the subscription agreement entered into between the Company and NASAC 2 on 18th October 2007
"NASAC 3"	North Asia Strategic Acquisition Corp. 3, a company incorporated in the Cayman Islands, of which NASA controls 100% of the ordinary voting share capital
"NASS"	North Asia Strategic (Singapore) Pte. Ltd., a company incorporated under the laws of Singapore and a wholly-owned subsidiary of the Company

"NASS Put Options"	the put options to be granted to NASS pursuant to the Shareholders' Agreement to dispose of all its TKC Shares according to the terms of the Shareholders' Agreement
"Non-conversion Put"	the put option to be granted to NASS pursuant to the Shareholders' Agreement to dispose of its TKC Common Shares if conversion of the TKC Common Shares into TKC Preferred Shares does not occur in accordance with the terms of the Shareholders' Agreement
"Non-listing Redemption"	the redemption of the TKC Preferred Shares at the request of the holders thereof if a Qualified Offering does not occur within the IPO Deadline
"PET resin"	polyethylene terephthalate, the polymer resin raw materials used in synthetic fibers, beverage, food and other liquid containers
"PRC"	the People's Republic of China which, for the purpose of this circular, exclude Hong Kong, Macau and Taiwan
"Preference Shares"	the non-voting convertible preference shares in the issued share capital of the Company
"Qualified Offering"	an initial public placement or offer for sale of the TKC Common Shares and their listing or quotation on either the Korea Exchange, Korean Securities Dealers Automated Quotations (KOSDAQ) or any other reputable international stock exchange, with the requirement of the minimum amount of TKC Common Shares held by the public for the purpose of such listing and with a market capitalisation of not less than KRW300 billion (equivalent to approximately HK$2,340 million) or its equivalent in case of such offering in a stock exchange outside Korea
"Refinancing Option"	the option granted to NASS pursuant to the Shareholders' Agreement to refinance all or part of the SMG Loans in accordance with the terms to the Shareholders' Agreement

"Sale Shares"	a total of 2,699,347 TKC Common Shares of KRW5,000 each in the issued share capital of TKC
"Services Agreement"	the services agreement dated 26th September 2005 (as amended and restated on 30th December 2005) entered into between the Company and NASA
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Shareholders"	the holders of the Shares and/or Preference Shares
"Shareholders' Agreement"	the shareholders' agreement dated 26th June 2008 entered into between NASS and SMG
"SMG"	SMT and TKCH
"SMG Acquisition"	the acquisition by SMG of an aggregate of 4,500,653 TKC Common Shares pursuant to the SSPA and assignments entered into between the Seller, Kyungnam and each of SMG
"SMG Call Option"	the call option to be granted to SMG pursuant to the Shareholders' Agreement to acquire up to 50% of the TKC Shares held by NASS in accordance with the terms of the Shareholders' Agreement
"SMG Loans"	the financing which SMG has obtained from its banks and other lenders to finance the purchase of its TKC Shares
"SMT"	SMT Chemical Co., Ltd., a joint stock corporation established under the laws of Korea

"Special General Meeting"	the special general meeting of the Company to be held to consider and, if thought fit, approve the possible transactions resulted from the grant of the SMG Call Option and the exercise of each of the rights under the Non-conversion Put, the Non-listing Redemption, the NASS Put Options, the TKC Breach Redemption and the Refinancing Option
"SSPA"	the amended and restated sale and purchase agreement dated 3rd April 2008 entered into between Kyungnam (as the purchaser) and the Seller in relation to the acquisition of 8,000,000 TKC Common Shares by Kyungnam
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Timeless"	Timeless Enterprises Limited, a company incorporated in the British Virgin Islands which is controlled by Mr. Cho
"TKC"	TK Chemical Co., Ltd., a joint stock corporation established under the laws of Korea
"TKC Breach Redemption"	the right of NASS to require TKC to redeem all the TKC Shares held by NASS in accordance with the terms of the Shareholders' Agreement if the Shareholders' Agreement is terminated due to a breach by TKC
"TKCH"	TK Chemical Holdings Co., Ltd., a joint stock corporation established under the laws of Korea
"TKC Common Share(s)"	common share(s) of KRW5,000 (equivalent to approximately HK$39) each in the share capital of TKC
"TKC Preferred Share(s)"	preferred share(s) of KRW5,000 (equivalent to approximately HK$39) each to be issued by TKC
"TKC Share(s)"	TKC Common Share(s) or TKC Preferred Share(s)
"TKC Shareholder(s)"	holder(s) of the TKC Share(s)

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"KRW"	Korean Won, the lawful currency of Korea
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

For the purpose of illustration in this circular, amounts in KRW have been translated into HK$ at the exchange rate of KRW1,000 = HK$7.8 and amounts in US$ have been translated into HK$ at the exchange rate of US$1.0 = HK$7.8.

North Asia Strategic Holdings Limited
北亞策略控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8080)

Executive Directors:
Mr. Göran Sture Malm *(Chairman)*
Mr. Henry Kim Cho *(Deputy Chairman)*
Mr. Savio Chow Sing Nam *(Chief Executive Officer)*

Non-executive Directors:
Mr. Andrew Yao Cho Fai
Mr. Takeshi Kadota

Independent non-executive Directors:
Mr. Philip Ma King Huen
Mr. Kenny Tam King Ching
Mr. Edgar Kwan Chi Ping
Mr. Yu Wang Tak

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong:
78th Floor
The Center
99 Queen's Road Central
Hong Kong

21st July 2008

To the Shareholders and, for information only, the holders of the Preference Shares and the Convertible Bonds

Dear Sir or Madam,

POSSIBLE MAJOR TRANSACTION AND POSSIBLE VERY SUBSTANTIAL DISPOSALS RELATING TO THE SHAREHOLDERS' AGREEMENT

INTRODUCTION

The Company announced on 30th June 2008 that Completion of the acquisition by NASS of the Sale Shares, representing 33.74% of the total issued share capital of TKC, has taken place on 30th June 2008 in accordance with the terms of the Agreement. The Company also announced that NASS and SMG has entered into the Shareholders' Agreement to regulate the respective shareholders' rights of NASS and SMG in TKC and to grant NASS certain options in relation to its investment in TKC.

* *For identification purpose only*

The grant of the SMG Call Option and the exercise of the rights under the Non-conversion Put, the Non-listing Redemption, the NASS Put Options and the TKC Breach Redemption each constitutes a possible very substantial disposal for the Company under the GEM Listing Rules. The exercise of the right under the Refinancing Option would result in NASS providing financial assistance to SMG which constitutes a possible major transaction for the Company under the GEM Listing Rules. The Special General Meeting will be convened to seek approval from the Shareholders of the aforesaid possible transactions.

The purpose of this circular is to provide you with, among other things, details of the Shareholders' Agreement, financial information of the Group and the notice of the Special General Meeting.

THE SHAREHOLDERS' AGREEMENT

Date: 26th June 2008

Parties: (i) SMG; and

(ii) NASS.

SMG comprises SMT and TKCH. As advised by SMG, both SMT and TKCH are investment holding companies and have not engaged in any business prior to the SMG Acquisition. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, SMG and their respective ultimate beneficial owners are Independent Third Parties. Apart from the Acquisition, the Company has not engaged in any previous transactions with SMG or their respective ultimate beneficial owners in the last 12 months.

Conversion to TKC Preferred Shares

It is a term of the Shareholders' Agreement that within the Conversion Deadline, SMG shall procure TKC to take all the actions necessary for the TKC Common Shares held by NASS to be converted into TKC Preferred Shares. The conversion of the TKC Common Shares held by NASS to TKC Preferred Shares has taken place on 8th July 2008

Set out below is the shareholding table of TKC (i) immediately after completion of the Acquisition; and (ii) immediately after the conversion by NASS of the Sale Shares to TKC Preferred Shares:

	Immediately after Completion but before conversion of the TKC Common Shares into TKC Preferred Shares		Immediately after conversion by NASS of the TKC Common Shares into TKC Preferred Shares			
	TKC Common Shares	**%**	**TKC Common Shares**	**%**	**TKC Preferred Shares**	**%**
SMG	4,500,653	56.26%	4,500,653	84.91%	—	—
NASS	2,699,347	33.74%	—	—	2,699,347	100.00%
DIC	800,000	10.00%	800,000	15.09%	—	—
Total	8,000,000	100.00%	5,300,653	100.00%	2,699,347	100.00%

Terms of the TKC Preferred Shares

The principal terms of the TKC Preferred Shares are as follows:

Conversion: The TKC Preferred Shares shall be automatically converted into TKC Common Shares at the initial conversion ratio of one TKC Preferred Share to one TKC Common Share upon the Qualified Offering taking place.

The conversion ratio will be proportionally adjusted for stock splits, consolidation or subdivision of TKC Shares.

Holder(s) of the TKC Preferred Shares shall also have the right to convert the TKC Preferred Shares into TKC Common Shares at any time prior to the IPO Deadline at the then prevailing conversion ratio.

Voting: Holder(s) of the TKC Preferred Shares will be entitled to vote at general meetings of TKC as if their TKC Preferred Shares are fully converted into TKC Common Shares. Holder(s) of TKC Preferred Shares shall vote together with holders of TKC Common Shares as a single class unless otherwise required by relevant laws.

Dividend:	Holders of the TKC Preferred Shares shall be entitled to an annual per share cash dividend equal to 15% of the original purchase price of the TKC Preferred Shares (i.e. 15% of KRW18,523 per TKC Preferred Shares for NASS) in priority to the payment of any dividend with respect to TKC Common Shares. Such dividend shall be cumulative and was determined based on arm's length negotiations between the parties. After the payment of dividend to the respective holders of the TKC Preferred Shares and TKC Common Shares at the same dividend rate, any further dividends would be paid pari passu to the holders of the TKC Preferred Shares and TKC Common Shares on a pro rata basis. If TKC declares and pays a stock dividend or issues bonus shares, it shall issue TKC Common Shares to the holders of the TKC Common Shares and TKC Preferred Shares to the holders of TKC Preferred Shares. All accrued but unpaid dividends in respect of such TKC Preferred Shares shall be paid to the holders of the TKC Preferred Shares on the redemption of the TKC Preferred Shares.
Non-listing Redemption:	Subject to any legal restrictions, in the event that a Qualified Offering does not occur within the IPO Deadline, holders of the TKC Preferred Shares may require TKC to redeem all or part of the TKC Preferred Shares. Details of the redemption price are set out in the paragraph headed "Non-listing Redemption" below.
On liquidation:	In the event of liquidation, dissolution or winding-up of TKC, holders of the TKC Preferred Shares shall be entitled to receive, prior and in preference to any distribution of assets to holders of the TKC Common Shares, the original purchase price for the TKC Preferred Shares then held (adjusted for any consolidation, subdivision and the like subsequent to the issuance), together with the amount of any arrears of declared but unpaid dividends in respect of such TKC Preferred Shares. If the assets available for distribution are insufficient for the aforesaid payment to the holders of the TKC Preferred Shares, the entire assets of TKC legally available for distribution shall be distributed rateably among holders of the TKC Preferred Shares based on their respective prices paid for such TKC Preferred Shares.

Non-conversion Put

NASS shall be granted the Non-conversion Put such that in the event that the conversion of its TKC Common Shares into TKC Preferred Shares does not occur within the Conversion Deadline due to SMG's default or due to the applicable laws or regulations, NASS shall have the right to require SMG to purchase all of the TKC Common Shares held by NASS. If the

Non-conversion Put is exercised due to SMG's default, the purchase price shall be calculated as the original purchase price paid by NASS for the TKC Shares (being KRW18,523 per TKC Share) plus a yield of 30% compound per annum accrued for a period of 36 months from the Closing Date. If the Non-conversion Put is exercised due to the applicable laws or regulations, the purchase price shall be calculated as the original purchase price paid by NASS for the TKC Shares (being KRW18,523 per TKC Share) plus a yield of 30% compound per annum accrued from the Closing Date to the closing of the sale and purchase of the TKC Common Shares pursuant to the Non-conversion Put together with relevant expenses incurred by NASS and/or the Company. Accordingly, the maximum price receivable by NASS on exercise of the Non-conversion Put shall be approximately KRW109.85 billion (equivalent to approximately HK$856.83 million). Based on such maximum price and the original purchase price paid by NASS for the Sale Shares (i.e. KRW50 billion), the Group will realise a gain of approximately KRW59.85 billion (equivalent to approximately HK$466.83 million) for the exercise of the Non-conversion Put. The actual amount of gain would depend on the book value of the Group's investment in the TKC Shares at the time of the exercise of the Non-conversion Put. Date of closing for the exercise of NASS' rights under the Non-conversion Put shall be a date no later than 120 days from the Conversion Deadline.

If the conversion of the TKC Common Shares into TKC Preferred Shares is not possible due to the applicable laws or regulations and NASS elects not to exercise its right to require SMG to purchase the TKC Common Shares held by NASS as described above, SMG agrees as a matter of contract that NASS shall still have amongst themselves all of the preferences and rights as set forth above under the heading "Terms of the TKC Preferred Shares".

On 8th July 2008, the TKC Common Shares held by NASS have been successfully converted into TKC Preferred Shares.

SMG Call Option

NASS shall grant to SMG the SMG Call Option pursuant to which SMG shall have the right but not the obligation to purchase up to 50% of the TKC Shares held by NASS.

The SMG Call Option can be exercised by SMG once only, (i) after receipt of the approval from the relevant stock exchange for the Qualified Offering, during the 10-day period falling 30 days to 21 days before the Qualified Offering; or (ii) in the event that Qualified Offering does not occur within the IPO Deadline, during the 5 days after the receipt of the notice from TKC that the Qualified Offering will not occur. TKC shall send a notice in writing to NASS no less than 30 days before the IPO Deadline notifying that the Qualified Offering will not occur. The SMG Call Option shall lapse if it is not exercised by SMG within the aforesaid exercise periods. If the rights under the SMG Call Option are exercised by SMG, the SMG Call Option exercise price receivable by NASS shall equal to the original purchase price for each TKC Share (being KRW18,523 per TKC Share) plus a yield of 30% compound per annum (inclusive of dividends which, if received, will be included in the calculation of the 30% yield). Accordingly, the maximum SMG Call Option exercise price receivable by NASS shall be approximately KRW54.93 billion (equivalent to approximately HK$428.45 million) inclusive of all dividend entitlements. Based on such maximum price and the original purchase price paid by NASS for 50% of the Sale Shares (i.e. KRW25 billion), the Group will realise a maximum gain of approximately KRW29.93 billion (equivalent to approximately HK$233.45 million) for the exercise of the SMG Call Option. The actual amount of gain would depend on the book value of the Group's investment in the TKC Shares at the time of the exercise of the SMG Call Option and the timing of the exercise of such option.

If SMG does not exercise the SMG Call Option in full and if a Qualified Offering occurs in which NASS has sold whole or part of its TKC Shares, in respect of the TKC Shares subject to the SMG Call Option (i.e. half of the TKC Shares held by NASS) that were not purchased by SMG through the exercise of the SMG Call Option (the "Remaining Shares"), NASS has to pay to SMG the part of proceeds from the sale of the Remaining Shares in the Qualified Offering in excess of the original purchase price paid by NASS for the Remaining Shares, plus a yield of 30% compound per annum from the Closing Date (inclusive of dividends received which, if received, will be included in the calculation of the 30% yield) and net of any taxes and relevant expenses (the "Excess Amount"). The maximum number of Remaining Shares subject to such payment shall not be more than 50% of the TKC Shares sold by NASS in the Qualified Offering. If the total number of TKC Shares sold by NASS in a Qualified Offering is less than 2 times the number of Remaining Shares, for the purpose of calculating the Excess Amount, the number of Remaining Shares shall be adjusted to 50% of the number of TKC Shares sold in the Qualified Offering.

Should the Qualified Offering not involve sale of TKC Shares held by NASS, NASS shall not be subject to any payment as described above.

Non-listing Redemption

As a term of the TKC Preferred Shares and subject to any legal restrictions, in the event that the Qualified Offering does not occur within the IPO Deadline, the holders of the then outstanding TKC Preferred Shares may exercise the rights under the Non-listing Redemption and require TKC to redeem all or part of the TKC Preferred Shares on the date of the IPO Deadline at a redemption price equal to the original purchase price paid for the TKC Shares (being KRW18,523 per TKC Share for NASS) plus a yield of 20.5% compound per annum accrued from the date of purchase of the TKC Preferred Shares up to and including the redemption date.

The redemption price together with dividends declared and accrued but unpaid as of the redemption date shall be no more than the original purchase price of the TKC Preferred Shares plus a yield of 30% compound per annum (inclusive of dividends which, if received, will be included in the calculation of the 30% yield). Accordingly, the maximum redemption price of the TKC Preferred Shares receivable by NASS including all dividend entitlements shall be approximately KRW109.85 billion (equivalent to approximately HK$856.83 million). Based on such maximum price and the original purchase price paid by NASS for the Sale Shares (i.e. KRW50 billion), the Group will realise a maximum gain of approximately KRW59.85 billion (equivalent to approximately HK$466.83 million) for the exercise of the Non-listing Redemption. The actual amount of gain would depend on the book value of the Group's investment in the TKC Shares at the time of the exercise of the Non-listing Redemption and the timing of the exercise of such option.

NASS Put Options

NASS shall be granted the NASS Put Options to dispose of all its TKC Shares exercisable in the following manner:

(i) in the event that TKC does not have sufficient distributable income or is otherwise unable to redeem all of the TKC Preferred Shares held by NASS according to the terms of the TKC Preferred Shares as described in the paragraph headed "Non-listing Redemption" above, NASS shall have the right to require SMG to purchase all the TKC Shares held by NASS at the original purchase price (being KRW18,523 per TKC Share) plus a yield of 20.5% compound per annum accrued from the date of purchase of the TKC Preferred Shares up to and including the redemption date. The redemption price together with dividends declared and accrued but unpaid as of the redemption date shall be no more than the original purchase price of the TKC Preferred Shares plus a yield of 30% compound per annum (inclusive of dividends which, if received, will be included in the calculation of the 30% yield). Accordingly, the maximum redemption price of the TKC Preferred Shares receivable by NASS including all dividend entitlements shall be approximately KRW109.85 billion (equivalent to approximately HK$856.83 million). Based on such maximum price and the original purchase price paid by NASS for the Sale Shares (i.e. KRW50 billion), the Group will realise a maximum gain of approximately KRW59.85 billion (equivalent to approximately HK$466.83 million) for the exercise of the Non-listing Redemption. The actual amount of gain would depend on the book value of the Group's investment in the TKC Shares at the time of the exercise of the NASS Put Options and the timing of the exercise of such option.

(ii) in the event that the Shareholders' Agreement is terminated due to a breach by SMG of certain material terms of the Shareholders' Agreement, such as transfer restrictions of the TKC Shares, terms of the TKC Preferred Shares (including dividend policy), the maintenace of sufficient balance in a designated bank account for the purpose of dividend payment and redemption, if SMG or TKC or their creditors or any other eligible party files for SMG or TKC's dissolution and liquidation, if SMG has entered into bankruptcy, reorganisation or compulsory composition and certain other rights of NASS as a shareholder of TKC, NASS shall have the right to require SMG to purchase all the TKC Shares held by NASS at its original purchase price for each TKC Share being KRW18,523 per TKC Share plus a yield of 30% compound per annum (inclusive of dividends which, if received, will be included in the calculation of the 30% yield). Accordingly, the maximum consideration receivable by NASS shall be approximately KRW109.85 billion (equivalent to approximately HK$856.83 million) inclusive of all dividend entitlements. Based on such maximum price and the original purchase price paid by NASS for the Sale Shares (i.e. KRW50 billion), the Group will realise a maximum gain of approximately KRW59.85 billion (equivalent to approximately HK$466.83 million) for the exercise of the NASS Put Options. The actual amount of gain would depend on the book value of the Group's investment in the TKC Shares at the time of the exercise of the NASS Put Options and the timing of the exercise of such option.

TKC Breach Redemption

It is a term of the Shareholders' Agreement that upon the written request of NASS, SMG shall cause TKC to accede to the Shareholders' Agreement and abide by the terms thereof. If NASS exercises such right and in the event that the Shareholders' Agreement is terminated due to a breach by TKC, NASS shall have the right to require TKC to redeem all the TKC Shares held by NASS at its original purchase price for each TKC Share being KRW18,523 per TKC Share plus a yield of 30% compound per annum (inclusive of dividends which, if received, will be included in the calculation of the 30% yield), accrued for a period of 36 months from the Closing Date. Accordingly, the maximum consideration receivable by NASS shall be approximately KRW109.85 billion (equivalent to approximately HK$856.83 million) inclusive of all dividend entitlements. Based on such maximum price and the original purchase price paid by NASS for the Sale Shares (i.e. KRW50 billion), the Group will realise a maximum gain of approximately KRW59.85 billion (equivalent to approximately HK$466.83 million) for the exercise of the TKC Breach Redemption. The actual amount of gain would depend on the book value of the Group's investment in the TKC Shares at the time of the exercise of the TKC Breach Redemption and the timing of the exercise of such option.

Refinancing Option

SMG has obtained financing from its banks and other lenders to finance the purchase of its TKC Shares. In case SMG goes into default or becomes aware of or is likely to be in default under its agreement with the financiers, it is a term of the Shareholders' Agreement that SMT and/or TKCH shall notify NASS as soon as possible and NASS (or its designee) shall have the right, but not the obligation, to refinance all or part of such SMG Loans at a rate equal to NASS' (or its designee's) cost of funding plus 10% per annum.

As at the date of the Shareholders' Agreement, the principal amount of the SMG Loans amounted to KRW60 billion (equivalent to approximately HK$468 million) and bear interests at the prevailing rate of certificate of deposit plus 3.9% per annum. The maximum principal amount of SMG Loans to be refinanced by the Group under the Refinancing Option would be KRW60 billion (equivalent to approximately HK$468 million) together with the accrued and unpaid interest. The Company intends to fund the refinancing by the proceeds raised from the placement of the Preference Shares if the Refinancing Option is exercised.

The exercise of the right under the Refinancing Option constitutes a possible major transaction for the Company under the GEM Listing Rules and requires the approval of the Shareholders. If the SMG Loans refinanced by the Group under the Refinancing Option exceeds 8% under the assets ratio as defined under rule 19.07(1) of the GEM Listing Rules, the Company will make further announcement(s) pursuant to rule 17.15 of the GEM Listing Rules.

Condition

The grant of the SMG Call Option and the exercise of the rights under the Non-conversion Put, the Non-listing Redemption, the NASS Put Options, the TKC Breach Redemption and the Refinancing Option are subject to the obtaining of all necessary governmental approvals and/or approval of the Shareholders in a general meeting in accordance with the GEM Listing Rules.

Basis of determination of consideration

The respective percentage yield used in the calculation of the consideration under each of the Non-conversion Put, the SMG Call Option, the Non-listing Redemption, the NASS Put Options, the TKC Breach Redemption and the Refinancing Option was determined based on arm's length negotiations among the parties taking into account the return on investments required by the Group. The Directors consider the terms of the Non-conversion Put, the SMG Call Option, the Non-listing Redemption, the NASS Put Options, the TKC Breach Redemption and the Refinancing Option are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Should the aforementioned options be exercised, the net proceeds receivable by the Group are intended to be used for future investments and working capital purposes.

Additional financing

TKC shall procure and SMG shall cause TKC to procure a credit facility of US$60 million (equivalent to approximately HK$468 million) from DIC and on a best effort basis to secure additional new debt financing of KRW70 billion (equivalent to approximately HK$546 million) for the purpose of working capital, repaying certain debts of TKC and/or capital expenditure.

Board composition

Pursuant to the Shareholders' Agreement, the number of directors of TKC appointed by NASS shall be in proportion to the aggregate holdings of the TKC Shares (on a fully converted basis) and, so long as NASS holds at least 5% of all the TKC Shares on a fully converted basis, at least one director shall be appointed by NASS. As at the Latest Practicable Date, the board of directors of TKC consists of nine directors, with three of the directors designated by NASS.

Other rights of NASS

The Shareholders' Agreement also contains provisions which give NASS (i) the first right of refusal over sales of TKC Shares by the other TKC Shareholders; (ii) the pre-emptive rights to participate in future issues of new TKC Common Shares in proportion to its shareholding in TKC; and (iii) the right to participate in sales of TKC Shares on the same terms and conditions, and on the basis pro rata to their respective shareholding in TKC if another TKC Shareholder sells its TKC Shares. The Company will comply with the GEM Listing Rules requirements when NASS exercises the aforesaid rights as and when appropriate.

INFORMATION ON TKC

TKC is principally engaged in the business of manufacturing of (i) polyester fiber; (ii) spandex; and (iii) PET resin, which are materials widely used in the manufacturing of synthetic fabrics, yarns and plastic bottles. Such principal business is carried out by the Business Divisions which were transferred from the Former Company to TKC in January 2008. The Former Company, established in 1970 and listed on the Korea Exchange in 1976, was engaged in the manufacturing of cotton and natural fiber, polyester fiber, spandex and PET resin. The Former Company filed for creditors' workout program on 16th October 1998 and transferred the Business Divisions to TKC in January 2008.

According to the accountants' report of TKC as contained in the circular of the Company dated 13th June 2008, the combined net liabilities of TKC as at 31st December 2007 amounted to approximately HK$690.5 million. During the year ended 31st December 2006 and 2007, TKC incurred combined net loss before and after tax of approximately HK$76.2 million and combined net profit before and after tax of approximately HK$428.8 million respectively.

FINANCIAL EFFECTS ON THE GROUP

Following Completion, TKC is accounted for as a jointly controlled entity of the Group and 33.74% of the income and expenses, assets and liabilities of TKC shall be proportionately consolidated into the financial statements of the Group.

Should SMG exercise the SMG Call Option which will result in the disposal by NASS of 50% of its TKC Shares, the Group's interest in TKC will decrease from 33.74% to 16.87%. Accordingly, only 16.87% of the income and expenses, assets and liabilities of TKC will be proportionately consolidated into the financial statements of the Group. TKC will continue to be a jointly controlled entity of the Group and proportionate consolidation is used for the remaining interest.

Should NASS exercise the rights under the Non-conversion Put, the Non-listing Redemption, the NASS Put Options or the TKC Breach Redemption and dispose of all of its TKC Shares, the Group will no longer have any interest in TKC and TKC will cease to be a jointly controlled entity of the Group.

Details of the calculation on the price receivable by NASS, the maximum price receivable and gain on disposal resulting from the exercise of the aforesaid options are set out in the respective paragraphs headed "Non-conversion Put", "SMG Call Option", "Non-listing Redemption", "NASS Put Options" and "TKC Breach Redemption" above.

In the event that NASS exercises the Refinancing Option and refinances the SMG Loans, it is expected that the total assets and total liabilities of the Group will not be affected as the Group intends to finance such provision of loans by internal resources. The Group shall earn interest income charged on the loan principal at a rate equal to NASS' cost of funding plus 10% per annum.

REASONS FOR THE SHAREHOLDERS' AGREEMENT

The Group is principally engaged in (i) trading of surface mount technology assembly equipment, machinery and spare parts and provision of related installation, training, repair and maintenance services; (ii) processing and sale of fishmeal, refining and sale of fish oil, manufacturing and sale of aquatic feed products and trading of other raw materials relating to aquatic feeds; (iii) developing and operating Burger King restaurants in Hong Kong and Macau; and (iv) investment holding.

Following Completion, TKC has become a jointly controlled entity of the Group. The purpose of the Shareholders' Agreement is to regulate the respective shareholders' rights of NASS and SMG in TKC. The Group will also be given various exit opportunities under the Shareholders' Agreement to secure a return on its investment in TKC. The grant of the Refinancing Option also allows the Group to continue its cooperation with SMG and utilise SMG's local Korean contacts and relationships in co-managing the investment in TKC in the event that SMG faces financial difficulty.

GEM LISTING RULES IMPLICATIONS

The exercise of the Refinancing Option by NASS would result in NASS providing a financial assistance to SMG and therefore constitutes a possible major transaction for the Company under the GEM Listing Rules. The grant of the SMG Call Option and the exercise of each of the rights under the Non-conversion Put, the Non-listing Redemption, the NASS Put Options and the TKC Breach Redemption constitutes a possible very substantial disposal of the Company under the GEM Listing Rules and requires approval of the Shareholders. The Special General Meeting of the Company will be convened to seek approval from the Shareholders for the aforesaid possible transactions.

As no Shareholder has interests in the Shareholders' Agreement which are different from the other Shareholders, no Shareholder is required to abstain from voting on the resolution to be proposed at the Special General Meeting regarding the Shareholders' Agreement.

SPECIAL GENERAL MEETING

Set out in this circular is a notice convening the Special General Meeting to be held at 78th Floor, The Center, 99 Queen's Road Central, Hong Kong at 10:00 a.m. on Wednesday, 20th August 2008 at which a resolution will be proposed to approve the possible transactions resulting from the grant of the SMG Call Option and the exercise of each of the rights under the Non-conversion Put, the Non-listing Redemption, the NASS Put Options, the TKC Breach Redemption and the Refinancing Option.

A form of proxy for use at the Special General Meeting is accompanying this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy and return it in accordance with the instructions printed thereon to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Special General Meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or any adjourned meeting should you so wish.

RECOMMENDATION

The Directors consider that the terms of the SMG Call Option, the Non-conversion Put, the Non-listing Redemption, the NASS Put Options, the TKC Breach Redemption and the Refinancing Option are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the Special General Meeting to approve the terms of the aforesaid options.

GENERAL

Your attention is drawn to the financial information of the Group, the pro forma financial information and the other additional information set out in the appendices to this circular.

For and on behalf of
North Asia Strategic Holdings Limited
Savio Chow Sing Nam
Executive Director and Chief Executive Officer

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

21st July 2008

The Directors
North Asia Strategic Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of North Asia Strategic Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out in Sections I and II below, for inclusion in the circular of the Company dated 21st July 2008 (the "Circular") in connection with the possible disposal of TK Chemical Co., Ltd. ("TKC") by the Group pursuant to certain provisions as set out in the shareholders' agreement dated 26th June 2008 entered into between a wholly-owned subsidiary of the Company and two other shareholders of TKC, SMT Chemcial Co., Ltd. and TK Chemcial Holdings Co, Ltd. (together, "SMG"). The Financial Information comprises the consolidated balance sheets and the balance sheets of the Company as at 31st March 2006, 2007 and 2008 and the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements of the Company for each of the years ended 31st March 2006, 2007 and 2008 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in Bermuda on 10th February 2000 as an exempted company with limited liability.

As at the date of this report, the Company has direct and indirect interests in subsidiaries and joint controlled entities as set out in Notes 18 and 19 of Section I below. All of these companies are private companies.

The consolidated financial statements of the Company for each of the years ended 31st March 2006, 2007 and 2008 were audited by PricewaterhouseCoopers.

The Financial Information has been prepared based on the audited consolidated financial statements of the Company after making such adjustments as are appropriate.

Directors' responsibility

The directors of the Company during the Relevant Periods are responsible for the preparation and the true and fair presentation of the consolidated financial statements of the Company in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRS. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Financial Information based on our examination and to report our opinion to you. We examined the audited consolidated financial statements of the Company for the Relevant Periods used and the related adjustments made in preparing the Financial Information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2006, 2007 and 2008 and of the Group's results and cash flows for the Relevant Periods.

I FINANCIAL INFORMATION OF THE GROUP AND THE COMPANY

The following is the Financial Information of the Group and of the Company for the Relevant Periods:

(A) Consolidated Income Statements

		For the year ended 31st March		
		2006	2007	2008
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations				
Revenue	*5*	—	495,526	1,265,162
Cost of sales	*7*	—	(418,442)	(1,176,622)
Gross profit		—	77,084	88,540
Other gains — net	*6*	3	5,512	2,529
Selling and distribution expenses	*7*	—	(20,245)	(41,722)
General and administration expenses	*7*	(16,229)	(74,639)	(144,528)
Operating loss		(16,226)	(12,288)	(95,181)
Finance income	*9*	1,439	89,861	37,526
Finance costs	*9*	(1,030)	(7,163)	(27,047)
(Loss)/profit before income tax		(15,817)	70,410	(84,702)
Income tax credit/(expenses)	*10*	—	(3,109)	14,334
(Loss)/profit for the year from continuing operations		(15,817)	67,301	(70,368)
Discontinued operations				
Profit/(loss) for the year from discontinued operations	*11*	3,829	(554)	(2,232)
(Loss)/profit for the year		(11,988)	66,747	(72,600)
(Loss)/profit for the year attributable to:				
Equity holders of the Company	*12*	(11,988)	66,747	(72,590)
Minority interests		—	—	(10)
		(11,988)	66,747	(72,600)
(Loss)/profit per share from continuing operations attributable to the equity holders of the Company	*13*			
— Basic *(HK cents)*		(23.40)	70.26	(73.45)
— Diluted *(HK cents)*		(23.40)	0.85	(73.45)
Profit/(loss) per share from discontinued operations attributable to the equity holders of the Company	*13*			
— Basic *(HK cents)*		5.67	(0.58)	(2.33)
— Diluted *(HK cents)*		0.50	(0.58)	(2.33)

(B) Balance Sheets

		Group			Company		
		As at 31st March			As at 31st March		
		2006	2007	2008	2006	2007	2008
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS							
Non-current assets							
Property, plant and equipment	14	478	36,014	64,606	—	—	—
Investment properties	15	—	2,206	2,288	—	—	—
Leasehold land and land use rights	16	—	11,869	19,235	—	—	—
Intangible assets	17	6	432,279	419,647	—	—	—
Investments in and amounts due from subsidiaries	18	—	—	—	—	589,435	681,874
Available-for-sale financial assets	20	—	—	3,481	—	—	—
Subscription receivables	21	494,135	282,211	—	494,135	282,211	—
Non-current deposits	22	—	—	3,307	—	—	—
Deferred tax assets	33	—	—	12,444	—	—	—
		494,619	764,579	525,008	494,135	871,646	681,874
Current assets							
Inventories	23	26,399	270,430	314,345	—	—	—
Trade and other receivables	24	16,860	167,759	196,038	707	658	97
Subscription receivables	21	271,410	—	940,429	271,410	—	940,429
Amount due from a subsidiary	18	—	—	—	3,000	—	6,318
Current income tax recoverable		—	—	342	—	—	—
Pledged bank deposits	25	3,055	49,899	48,390	—	—	—
Cash and cash equivalents	25	292,847	441,553	626,103	289,941	365,955	580,966
		610,571	929,641	2,125,647	565,058	366,613	1,527,810
Total assets		1,105,190	1,694,220	2,650,655	1,059,193	1,238,259	2,209,684
EQUITY							
Capital and reserves attributable to equity holders of the Company							
Share capital	26	74,790	82,718	134,691	74,790	82,718	134,691
Reserves	27	974,805	1,148,622	1,995,965	967,841	1,134,063	2,052,411
		1,049,595	1,231,340	2,130,656	1,042,631	1,216,781	2,187,102
Minority interests		—	—	1,676	—	—	—
Total equity		1,049,595	1,231,340	2,132,332	1,042,631	1,216,781	2,187,102

		Group			Company		
		As at 31st March			As at 31st March		
		2006	**2007**	**2008**	**2006**	**2007**	**2008**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES							
Current liabilities							
Borrowings	*28*	—	159,461	182,836	—	—	—
Trade and other payables	*29*	40,253	230,872	300,776	1,920	1,325	1,155
Amounts due to subsidiaries	*40*	—	—	—	—	4,441	4,437
Derivative financial instruments	*30*	—	—	310	—	—	—
Current income tax liabilities		700	17,288	6,540	—	—	—
Deferred subscription payable	*31*	—	32,676	—	—	—	—
		40,953	440,297	490,462	1,920	5,766	5,592
Non-current liabilities							
Borrowings	*28*	—	4,538	10,338	—	—	—
Convertible bonds	*32*	14,642	15,712	16,990	14,642	15,712	16,990
Deferred tax liabilities	*33*	—	2,333	11	—	—	—
Other non-current liabilities	*34*	—	—	522	—	—	—
		14,642	22,583	27,861	14,642	15,712	16,990
Total liabilities		55,595	462,880	518,323	16,562	21,478	22,582
Total equity and liabilities		1,105,190	1,694,220	2,650,655	1,059,193	1,238,259	2,209,684
Net current assets		569,618	489,344	1,635,185	563,138	360,847	1,522,218
Total assets less current liabilities		1,064,237	1,253,923	2,160,193	1,057,273	1,232,493	2,204,092

(C) Consolidated Statements Of Changes In Equity

		Attributable to equity holders of the Company			Minority interests	
	Note	Share capital *HK$'000*	Reserves *HK$'000*	Sub-total *HK$'000*	*HK$'000*	Total *HK$'000*
Balance at 1st April 2005		159,659	(157,522)	2,137	—	2,137
Translation adjustments — net income recognised directly in equity		—	291	291	—	291
Loss for the year		—	(11,988)	(11,988)	—	(11,988)
Total recognised loss for the year		—	(11,697)	(11,697)	—	(11,697)
Capital reorganisation		(159,529)	159,529	—	—	—
Issue of ordinary shares	*26, 27*					
— upon exercise of warrants		30	—	30	—	30
— under a subscription agreement		639	9,361	10,000	—	10,000
— under an open offer		159	2,341	2,500	—	2,500
Issue of preference shares	*26, 27*	73,832	980,764	1,054,596	—	1,054,596
Share issue expenses	*27*					
— ordinary shares		—	(2,186)	(2,186)	—	(2,186)
— preference shares		—	(12,173)	(12,173)	—	(12,173)
Convertible bonds — equity component	*27*	—	6,388	6,388	—	6,388
Balances at 31st March 2006 and 1st April 2006		74,790	974,805	1,049,595	—	1,049,595
Translation adjustments — net income recognised directly in equity		—	1,540	1,540	—	1,540
Profit for the year		—	66,747	66,747	—	66,747
Total recognised income for the year		—	68,287	68,287	—	68,287
Issue of preference shares	*26, 27*	7,928	106,271	114,199	—	114,199
Share issue expenses — preference shares	*27*	—	(741)	(741)	—	(741)
Balances at 31st March 2007 and 1st April 2007		82,718	1,148,622	1,231,340	—	1,231,340
Translation adjustments — net income recognised directly in equity		—	11,128	11,128	—	11,128
Decrease in fair value of available-for-sale financial assets	*27*	—	(193)	(193)	—	(193)
Loss for the year		—	(72,590)	(72,590)	(10)	(72,600)
Total recognised loss for the year		—	(61,655)	(61,655)	(10)	(61,665)
Issue of preference shares	*26, 27*	51,973	914,968	966,941	—	966,941
Share issue expenses — preference shares	*27*	—	(5,970)	(5,970)	—	(5,970)
Capital contribution from minority interests		—	—	—	1,686	1,686
Balances at 31st March 2008		134,691	1,995,965	2,130,656	1,676	2,132,332

(D) Consolidated Cash Flow Statements

		For the year ended 31st March		
		2006	**2007**	**2008**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from operating activities				
Net cash used in operations	*35(a)*	(6,028)	(11,782)	(87,292)
Interest paid		(2,266)	(4,982)	(17,430)
Hong Kong profits tax paid		—	—	(8,827)
Mainland China enterprise income tax paid		—	(922)	(2,478)
Mainland China enterprise income tax refunded		172	—	—
Overseas income tax paid		—	—	(134)
Net cash used in operating activities		(8,122)	(17,686)	(116,161)
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired	*36(a)*	—	(462,284)	—
Increase in investment in jointly controlled entity, net of cash acquired	*36(b)*	—	(85,475)	—
Additions to property, plant and equipment		(113)	(2,652)	(13,572)
Proceeds from disposal of subsidiaries, net of cash disposed	*35(b)*	(9,506)	—	—
Additions to leasehold land and land use rights		—	—	(7,253)
Additions to intangible assets		—	—	(2,150)
Proceeds from disposal of property, plant and equipment		15	4,729	1,809
Investment in available-for-sales financial assets		—	—	(3,057)
Interest received		1,000	16,328	15,461
Decrease/(increase) in pledged bank deposits		13,025	(14,887)	1,509
Net cash from/(used) in investing activities		4,421	(544,241)	(7,253)

		For the year ended 31st March		
		2006	**2007**	**2008**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from financing activities				
Issue of preference shares		289,050	93,120	330,891
Issue of convertible bonds		20,000	—	—
Issue of ordinary shares		12,530	—	—
Receipt of subscription receivables		—	578,102	—
Share issue expenses		(13,935)	(741)	(5,970)
Issue/(settlement) of subscription payables to/by a jointly controlled entity		—	32,676	(34,000)
Capital contribution from minority interests		—	—	1,686
New bank loans		—	322,676	176,873
Repayment of bank loans		(24,360)	(315,200)	(161,516)
Net cash form financing activities		283,285	710,633	307,964
Increase in cash and cash equivalents		279,584	148,706	184,550
Cash and cash equivalents at the beginning of the year		13,263	292,847	441,553
Cash and cash equivalents at the end of the year	*25*	292,847	441,553	626,103

(E) Notes to the Financial Information

1. GENERAL INFORMATION

North Asia Strategic Holdings Limited (the "Company") and its subsidiaries (together, the "Group") and its jointly controlled entities are principally engaged in the following businesses:

- trading of surface mount technology ("SMT") assembly equipment, machinery and spare parts and provision of related installation, training, repair and maintenance services for SMT assembly equipment;
- processing and sale of fish meal, refining and sale of fish oil, manufacturing and sale of aquatic feed products and trading of other raw materials relating to aquatic feeds;
- developing and operating Burger King restaurants in Hong Kong and Macau; and
- investment holding.

During the year ended 31st March 2008, the Group ceased trading of steel products and provision for procurement services for steel products (including the operation of an e-commerce vertical portal for the provision of online steel trading services and ancillary services). Details of the discontinued operation are set out in Note 11 to the Financial Information.

The Company is a limited liability company incorporated in Bermuda as an exempted company under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and of its principal place of business is 78/F., The Center, 99 Queen's Road Central, Hong Kong.

The Company's shares are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with HKFRS. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4 to the Financial Information.

(a) ***Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group***

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st April 2008 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), "Presentation of Financial Statements" (effective from annual period beginning on or after 1st January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1st April 2009.

- HKAS 23 (Amendment) "Borrowing Costs" (effective from annual period beginning on or after 1st January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Amended) from 1st April 2009 but is currently not applicable to the Group as there are no qualifying assets.

- HKAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1st July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the holding company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a holding company's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1st April 2010.

- HKAS 32 and HKAS 1 Amendments "Puttable Financial Instruments and Obligations Arising on Liquidation" (effective from annual period beginning on or after 1 January 2009). The amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The Group will apply HKAS 32 and HKAS 1 Amendments from 1 April 2009, but it is not expected to have any impact on the Financial Information.

- HKFRS 2 (Revised) "Share-based Payment Vesting Conditions and Cancellations" (effective from annual period on or after 1st January 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 (Revised) from 1st April 2009, but it is not expected to have any impact on the Financial Information.

- HKFRS 3 (Revised) "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1st July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than "are conducted and managed". It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1st April 2010.

- HKFRS 8 "Operating Segments" (effective from annual period on or after 1st January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131 "Disclosures about Segments of an Enterprise and Related Information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1st April 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units ("CGU") based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

- HK(IFRIC) Int 13 "Customer Loyalty Programmes" (effective from annual period on or after 1st July 2008). HK(IFRIC) Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. The Group will apply HK(IFRIC) Int 13 from 1st April 2009.

- HK(IFRIC) Int 14 "HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective from annual period on or after 1st January 2008). HK(IFRIC) Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC) Int 14 from 1st April 2008, but it is not expected to have any impact on the Financial Information.

(b) Interpretation to existing standard that is not yet effective and not relevant for the Group's operations

The following interpretation to existing standard has been published and is mandatory for the Group's .accounting periods beginning on or after 1st April 2008 or later periods but is not relevant for the Group's operations:

- HK(IFRIC) Int 12 "Service Concession Arrangements" (effective from annual period on or after 1st January 2008). HK(IFRIC) Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

2.2 Basis of consolidation

The Financial Information includes the financial information of the Company and its subsidiaries made up to 31st March.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Transactions, balances and unrealised gains on transactions within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividends received and receivable.

(b) Jointly controlled entities

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Financial Information. The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entities that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the jointly controlled entities that result from the Group's purchase of assets from the jointly controlled entities until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

(c) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Hong Kong dollar, which is the Company's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the investment revaluation reserve in equity.

(c) Group's entities

The results and financial position of all the entities within the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20 to 40 years
Leasehold improvements	3 to 10 years
Furniture and fixtures and office equipment	3 to 10 years
Motor vehicles	3 to 5 years
Plant and machinery and demonstration equipment	10 years

Construction-in-progress is stated at cost less accumulated impairment losses. It is not depreciated until completion of construction and the asset is available for use. The cost of completed construction works is transferred to the appropriate categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are charged to the income statement.

2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property is carried at cost including related transaction costs, less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided using the straight-line method to write off the cost of the investment property over its estimated useful life of 32 years. Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes.

2.7 Leasehold land and land use rights

Leasehold land and land use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation of leasehold land and land use rights is calculated on a straight-line basis over the period of the lease.

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries or jointly controlled entities at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGU for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

(b) Other intangible assets

The acquired trademarks and licences, non-compete agreements, distribution agreements, customer relationships, and development rights and franchises are shown at historical cost or fair value of consideration. They have a finite useful life and are carried at cost less accumulated amortisation, and accumulated impairment loss.

Amortisation of trademarks and licences, non-compete agreements, distribution agreements, customer relationships and development rights and franchises is calculated using the straight-line method to allocate the cost over their estimated useful lives, as follows:

Trademarks	15 years
Development rights and franchise fees	10 years
Distribution agreements	3 years
Customer relationships	3 to 4 years
Non-compete agreements, included in others	5 to 6 years

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

2.9 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("CGU"). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less accumulated impairment losses. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

2.12 Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that an available-for-sale financial assets or a group of available-for-sale financial assets is impaired. A significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.13 Derivative financial instruments

The Group's derivative financial instruments do not qualify for hedge accounting. They are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of these derivative financial instruments are recognised immediately in the income statement.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.15 Share capital

Ordinary shares and non-redeemable preference shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

2.17 Borrowings

(a) Borrowings other than convertible bonds

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(b) Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bonds. This amount is record as a liability on an amoritsed cost basis until extinguished on conversion, maturity or redemption of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in equity, net of income tax effects, if any.

2.18 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.19 Employee benefits

(a) Employee leave entitlement

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group participates in defined contribution plans, under which the Group pays contributions to state/trustees-administered funds on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employment costs when they are due.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses. It recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sales revenue

Revenue from sales of goods is recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Commission, service and management fee income

Commission, service and management fee income are recognised when the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) ***Interest income***

Interest income is recognised on a time proportion basis using the effective interest method.

(d) ***Rental income***

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

Advance payments received from customers prior to delivery of goods and provision of services are recorded as receipts in advance.

2.22 Operating leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.23 Operating leases (as the lessor)

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment. Rental income is recognised on a straight-line basis over the lease term.

2.24 Finance leases (as the lessor)

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

2.25 Finance leases (as the lessee)

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has acquired substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Leased assets are depreciated using a straight-line basis over their expected useful lives to residual values.

For sale and leaseback transactions resulting in a finance lease, differences between sales proceeds and net book values are deferred and amortised over the minimum lease terms.

2.26 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the period in which they are incurred.

2.27 Financial guarantees

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee would result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by finance department of the Company under policies approved by the board of directors. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates in Hong Kong, the Mainland China and other Asia Pacific regions and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar and Japanese Yen. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy to require entities within the Group to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities within the Group use forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Hong Kong dollar is pegged to US dollar at a range between 7.75 to 7.85, the foreign exchange exposure between US dollar and Hong Kong dollar is therefore limited.

At 31st March 2006, 2007 and 2008, if Japanese Yen had weakened/strengthened by 20% against the Hong Kong dollar with all other variables held constant, results for the year would have changed mainly as a result of foreign exchange gains/losses on translation of Japanese Yen denominated trade payables. Details of the changes are as follows:

	For the year ended 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Increase/(decrease) in results for the year			
— strengthened by 20%	—	(18,496)	(24,145)
— weakened by 20%	—	18,496	24,145

Equity as at 31st March 2008 would be decreased/increased by HK$696,000 arising mainly from foreign exchange losses/gains on translation of Japanese Yen denominated equity securities classified as available-for-sale investments.

(ii) Price risk

The Group is exposed to equity securities price risk arising from its available-for-sale financial assets. The Group is not exposed to commodity price risk.

The available-for-sale financial assets are mainly listed equity instruments in Japan and if the fair value of these equity instruments increased or decreased by 5%, the Group's equity would have been changed. Details of the changes are as follows:

	As at 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Increase/(decrease) in equity			
— Increased by 5%	—	—	174
— Decreased by 5%	—	—	(174)

(iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets except for cash and cash equivalents, pledged bank deposits and subscription receivables, the income and operating cash flows are substantially independent of changes in market interest rates.

The cash and cash equivalents and pledged bank deposits are interest-bearing at market rate and do not expose the Group to the cash flow interest rate risk. The subscription receivables are interest-bearing at fixed interest rate and expose the Group to the fair value interest rate risk.

The interest rate risk from financial liabilities arises from borrowings, deferred subscription payable and convertible bonds. Borrowings that are subject to variable rates expose the Group to cash flow interest rate risk. Deferred subscription payable and convertible bonds are interest-bearing at fixed rate and expose the Group to fair value interest rate risk.

At 31st March 2006, 2007 and 2008, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, results for the year would have changed mainly as a result of higher/lower interest expense on floating rate borrowings. Details of changes are as follows:

	For the year ended 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Increase/(decrease) in results for the year			
— Increased by 100 basis points	—	(1,390)	(1,310)
— Decreased by 100 basis points	—	1,390	1,310

(b) Credit risk

Credit risk arises from cash and cash equivalents, pledged bank deposits, subscription receivables, trade receivables and certain other receivables.

The Group has policies in place to ensure that sales are made to customers with an appropriate financial strength and appropriate percentage of down payment. It also has other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group regularly reviews the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risks, with exposure spread over a number of counterparties and customers, except for the subscription receivable.

No credit limits were exceeded during the Relevant Periods, and management does not expect any losses from non-performance by counterparties. The Group does not hold any collateral as security.

The carrying amount of the receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to these financial assets. The credit risk for bank deposits and bank balances and subscription receivables is considered by the Group to be minimal as such amounts are generally placed with banks with good ratings or due by international recognised financial institutions. As at 31st March 2006, 2007 and 2008, short-term bank deposits of the following amounts were made to a bank with credit rating of no less than A:

	As at 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Bank deposits made to the bank	179,848	236,166	458,000

(c) ***Liquidity risk***

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st March 2006					
Trade and other payables	40,253	—	—	—	40,253
Convertible bonds	—	—	20,000	—	20,000
	40,253	—	20,000	—	60,253
At 31st March 2007					
Borrowings and interest payments	159,504	1,055	2,522	961	164,042
Trade and other payables	230,872	—	—	—	230,872
Deferred subscription payable	32,676	—	—	—	32,676
Convertible bonds	—	—	20,000	—	20,000
	423,052	1,055	22,522	961	447,590
At 31st March 2008					
Borrowings and interest payments	183,570	8,043	1,748	771	194,132
Derivative financial instruments	310	—	—	—	310
Trade and other payables	300,776	—	—	—	300,776
Convertible bonds	—	—	20,000	—	20,000
	484,656	8,043	21,748	771	515,218

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt/cash is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet), deferred subscription payable and convertible bonds less pledged bank deposits, and cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt/cash.

During the Relevant Periods, the Group's strategy, which was unchanged, was to maintain net cash position. The net cash at 31st March 2006, 2007 and 2008 were as follows:

	As at 31st March 2006	As at 31st March 2007	As at 31st March 2008
	HK$'000	*HK$'000*	*HK$'000*
Borrowings *(Note 28)*	—	163,999	193,174
Deferred subscription payable *(Note 31)*	—	32,676	—
Convertible bonds *(Note 32)*	14,642	15,712	16,990
Sub-total	14,642	212,387	210,164
Less: Pledged bank deposits, and cash and cash equivalents *(Note 25)*	295,902	491,452	674,493
Net cash	281,260	279,065	464,329

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT

Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Useful lives and residual values of property, plant and equipment and intangible assets

The Group's management determines the estimate useful lives, residual values and related depreciation charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

4.2 Goodwill impairment assessment

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9 to the Financial Information. For the purposes of impairment testing, goodwill acquired has been allocated to individual CGUs which are reviewed for impairment based on forecast operating performance and cash flows. The recoverable amount of an asset or a CGU has been determined based on value-in-use calculations. Cash flow projections are prepared on the basis of reasonable assumptions reflective of prevailing and future market conditions, and are discounted appropriately.

4.3 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less variable selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer demand and competitor actions. Management reassesses these estimates at each balance sheet date.

4.4 Estimated recoverability of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgments and estimates. Management reassesses the provision at each balance sheet date.

4.5 Income taxes

The Group is subject to income taxes mainly in Hong Kong and the Mainland China. Significant judgment is required in determining the amount of the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

5 TURNOVER, REVENUE AND SEGMENT INFORMATION

5.1 Turnover and revenue

Turnover represents sales of goods, commission and other income, and revenue from Burger King restaurant operations. The amount of each category of revenue recognised during the Relevant Periods is as follows:

	For the year ended 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations			
Sales of goods	—	490,845	1,241,429
Commission and other income	—	4,681	18,695
Revenue from Burger King restaurant operations	—	—	5,038
	—	495,526	1,265,162
Discontinued operations			
Sales of goods	359,948	63,801	4,514
	359,948	559,327	1,269,676

5.2 Segment information

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, subscription receivables, non-current deposits, inventories, and trade and other receivables. Unallocated assets comprise deferred tax assets, current income tax recoverable, pledged bank deposits, available-for-sale financial assets, cash and cash equivalents.

Segment liabilities consist primarily of trade and other payables, derivative financial instructments, subscription payable and other non-current liabilities. Unallocated liabilities comprise current income tax liabilities, borrowings, convertible bonds and deferred tax liabilities.

Capital expenditure comprises additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

Primary reporting format – business segments

The Group and its jointly controlled entities are organised into four major business segments — SMT trading, fishmeal and fish oil, Burger King restaurant operations, steel trading and procurement services for steel products (including the operation of an e-commerce vertical portal for the provision of online steel trading services and ancillary services). The SMT trading, fishmeal and fish oil, steel trading business segment derives revenue from the sale of goods. The procurement services for steel products business segment derives commission income from procurement and online steel trading services. Burger King restaurant operations devise revenue from provision of catering services through the operation of fast food hamburger restaurants in Hong Kong under Burger King brand.

The business segment results for the year ended 31st March 2006 are analysed as follows:

	Year ended 31st March 2006					
	Continuing operations				Discontinued operations	
	SMT trading HK$'000	Fishmeal and fish oil HK$'000	Investment holding HK$'000	Sub-total HK$'000	Steel trading and procurement services HK$'000	Total HK$'000
Revenue — Sales to external customers	—	—	—	—	359,948	359,948
Segment results before amortisation of intangible assets	—	—	(16,226)	(16,226)	835	(15,391)
Amortisation of intangible assets	—	—	—	—	(15)	(15)
Segment results	—	—	(16,226)	(16,226)	820	(15,406)
Finance income				1,439	268	1,707
Finance costs				(1,030)	(2,266)	(3,296)
Loss before income tax				(15,817)	(1,178)	(16,995)
Income tax credit				—	5,007	5,007
Profit/(loss) for the year				(15,817)	3,829	(11,988)
Capital expenditure	—	—	49	49	64	113
Depreciation	—	—	6	6	367	373
Amortisation	—	—	—	—	15	15

The business segment results for the year ended 31st March 2007 are analysed as follows:

	Year ended 31st March 2007					
	Continuing operations				Discontinued operations	
	SMT trading HK$'000	Fishmeal and fish oil HK$'000	Investment holding HK$'000	Sub-total HK$'000	Steel trading and procurement services HK$'000	Total HK$'000
Revenue — Sales to external customers	394,023	101,503	—	495,526	63,801	559,327
Segment results before amortisation of intangible assets	24,799	5,130	(36,363)	(6,434)	(828)	(7,262)
Amortisation of intangible assets	(4,971)	(883)	—	(5,854)	(6)	(5,860)
Segment results	19,828	4,247	(36,363)	(12,288)	(834)	(13,122)
Finance income				89,861	160	90,021
Finance costs				(7,163)	—	(7,163)
Profit/(loss) before income tax				70,410	(674)	69,736
Income tax (expenses)/ credit				(3,109)	120	(2,989)
Profit/(loss) for the year				67,301	(554)	66,747
Capital expenditure	427,758	63,925	47	491,730	—	491,730
Depreciation	1,328	602	24	1,954	81	2,035
Amortisation	4,972	943	—	5,915	6	5,921
Write-back of provision for inventories	—	(188)	—	(188)	—	(188)

The business segment results for the year ended 31st March 2008 are analysed as follows:

	Year ended 31st March 2008						
	Continuing operations					Discontinued operations	
	SMT trading	Fishmeal and fish oil	Burger King restaurant operations	Investment holding	Sub-total	Steel trading and procurement services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue — Sales to external customers	841,625	418,499	5,038	—	1,265,162	4,514	1,269,676
Segment results before amortisation of intangible assets	(31,060)	8,276	(10,058)	(47,557)	(80,399)	(3,054)	(83,453)
Amortisation of intangible assets	(11,931)	(2,650)	(201)	—	(14,782)	—	(14,782)
Segment results	(42,991)	5,626	(10,259)	(47,557)	(95,181)	(3,054)	(98,235)
Finance income					37,526	120	37,646
Finance costs					(27,047)	—	(27,047)
Loss before income tax					(84,702)	(2,934)	(87,636)
Income tax credit					14,334	702	15,036
Loss for the year					(70,368)	(2,232)	(72,600)
Capital expenditure	2,002	10,990	9,912	71	22,975	—	22,975
Depreciation	3,775	2,202	695	44	6,716	—	6,716
Amortisation	11,931	3,024	201	—	15,156	—	15,156
Provision for inventories	22,449	6,327	—	—	28,776	—	28,776

The segment assets and liabilities at the balance sheet date are as follows:

	SMT trading	Fishmeal and fish oil	Burger King restaurant operations	Steel trading and procurement services	Investment holding	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st March 2006						
Assets						
Segment assets	—	—	—	48,561	1,056,193	1,104,754
Unallocated assets						436
						1,105,190
Liabilities						
Segment liabilities	—	—	—	38,311	16,580	54,891
Unallocated liabilities						704
						55,595
As at 31st March 2007						
Assets						
Segment assets	652,897	286,418	—	—	286,983	1,226,298
Unallocated assets						467,922
						1,694,220
Liabilities						
Segment liabilities	154,286	74,674	—	—	56,489	285,449
Unallocated liabilities						177,431
						462,880
As at 31st March 2008						
Assets						
Segment assets	676,697	333,839	11,919	—	940,917	1,963,372
Unallocated assets						687,283
						2,650,655
Liabilities						
Segment liabilities	176,414	120,310	3,459	—	1,344	301,527
Unallocated liabilities						216,796
						518,323

There are no significant sales between these business segments during the Relevant Periods.

Secondary reporting format – geographical segments

The Group's activities are conducted predominantly in Hong Kong and Mainland China. Revenue by geographical segment is determined on the basis of the destination of shipment of goods for SMT trading, fishmeal and fish oil steel trading, location of service performed for procurement services, location of sellers for online commission income, and location of the investment for dividend income.

Geographical segments results and capital expenditure for the Relevant Periods are analysed as follows:

	Year ended 31st March 2006					
	Continuing operations				Discontinued operations	
	Hong Kong	Mainland China	Others	Sub-total	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue — Sales to external customers	—	—	—	—	359,948	359,948
Segment results	(16,226)	—	—	(16,226)	820	(15,406)
Finance income				1,439	268	1,707
Finance costs				(1,030)	(2,266)	(3,296)
Loss before income tax				(15,817)	(1,178)	(16,995)
Capital expenditure	49	—	—	49	64	113

	Year ended 31st March 2007					
	Continuing operations				Discontinued operations	
	Hong Kong	Mainland China	Others	Sub-total	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue — Sales to external customers	—	495,526	—	495,526	63,801	559,327
Segment results	(36,363)	24,075	—	(12,288)	(834)	(13,122)
Finance income				89,861	160	90,021
Finance costs				(7,163)	—	(7,163)
Profit/(loss) before income tax				70,410	(674)	69,736
Capital expenditure	427,805	63,925	—	491,730	—	491,730

	Year ended 31st March 2008					
	Continuing operations				Discontinued operations	
	Hong Kong	Mainland China	Others	Sub-total	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue — Sales to external customers	5,038	1,240,596	19,528	1,265,162	4,514	1,269,676
Segment results	(57,816)	(45,618)	8,253	(95,181)	(3,054)	(98,235)
Finance income				37,526	120	37,646
Finance costs				(27,047)	—	(27,047)
Loss before income tax				(84,702)	(2,934)	(87,636)
Capital expenditure	7,968	15,007	—	22,975	—	22,975

There are no significant sales between these geographical segments for the Relevant Periods.

The segment assets based on assets located at the balance sheet date are as follows:

	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 31st March 2006			
Assets			
Segment assets	1,059,151	45,971	1,105,122
Unallocated assets			68
			1,105,190
As at 31st March 2007			
Assets			
Segment assets	286,983	939,315	1,226,298
Unallocated assets			467,922
			1,694,220
As at 31st March 2008			
Assets			
Segment assets	952,836	1,010,536	1,963,372
Unallocated assets			687,283
			2,650,655

6. OTHER GAINS — NET

	For the year ended 31st March		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations			
Net exchange gains	—	4,597	1,149
Losses on disposal of property, plant and equipment	—	—	(613)
Others	3	915	1,993
	3	5,512	2,529
Discontinued operations			
Others	3,341	164	32
	3,344	5,676	2,561

7. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and general and administrative expenses are analysed as follows:

	For the year ended 31st March		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations			
Cost of inventories sold	—	405,711	1,105,700
Provision/(write-back of provision) for inventories	—	(188)	28,776
Depreciation of property, plant and equipment	6	1,936	6,716
Amortisation of leasehold land and land use rights	—	60	374
Depreciation of investment properties	—	18	81
Amortisation of intangible assets	—	5,855	14,782
Employment costs *(Note 8)*	3,209	23,559	60,161
Operating lease rental of rented premises	583	3,016	12,013
Impairment of trade receivables	—	2,251	1,984
Auditor's remuneration	700	2,365	2,310
Service fees paid to a related party *(Note 39(a))*	—	20,896	25,322
Other expenses	11,731	47,847	104,653
Total cost of sales, selling and distribution expenses and general and administration expenses	16,229	513,326	1,362,872
Discontinued operations			
Cost of inventories sold	354,154	63,532	7,543
Depreciation of property, plant and equipment	367	81	—
Amortisation of intangible assets	15	6	—
Employment costs *(Note 8)*	2,930	—	—
Operating lease rental of rental premise	603	—	—
Impairment of trade receivables	21	—	—
Auditor's remuneration	200	—	—
Other expenses	4,179	1,180	57
	362,469	64,799	7,600
	378,698	578,125	1,370,472

8. EMPLOYMENT COSTS

	2006 HK$'000	2007 HK$'000	2008 HK$'000
Continuing operations			
Salaries, wages and allowances	3,201	23,216	58,451
Retirement benefits — defined contribution scheme	8	343	1,710
	3,209	23,559	60,161
Discontinued operations			
Salaries, wages and allowances	2,871	—	—
Retirement benefits — defined contribution scheme	59	—	—
	2,930	—	—
	6,139	23,559	60,161

(a) The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' relevant income as defined under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The monthly contribution of each of the employer and employees are subject to a cap of HK$1,000 and thereafter contributions are voluntary.

As stipulated by rules and regulations in the Mainland China, the Group contributes to state-sponsored retirement plans for its employees in the Mainland China. The employees contribute approximately 6% to 20% of their basic salaries, while the Group contributes approximately 14% to 22.5% of such salaries and has no further obligations for the actual payment of pensions or post-retirement benefits beyond these contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

(b) **Directors' and senior management's emoluments**

The remuneration of each director for the year ended 31st March 2006 is set out below:

	Fees HK$'000	Salaries HK$'000	Employer's contribution to retirement scheme HK$'000	Total HK$'000
Executive directors				
Mr. Göran Sture Malm *(i)*	309	103	8	420
Mr. Savio Chow Sing Nam *(i)*	93	593	8	694
Mr. Henry Kim Cho *(i)*	93	250	8	351
Mr. Andrew Yao Cho Fai	93	—	5	98
Mr. Desmond Fu Hay Ching	—	514	—	514
Non-executive director				
Mr. David Michael Faktor *(ii)*	17	—	—	17
Independent non-executive directors				
Mr. Philip Ma King Huen	97	—	—	97
Mr. Kenny Tam King Ching	121	—	—	121
Mr. Edgar Kwan Chi Ping *(i)*	93	—	—	93
Mr. Kennedy Wong Ying Ho *(ii)*	17	—	—	17
	933	1,460	29	2,422

The remuneration of each director for the year ended 31st March 2007 is set out below:

	Fees	**Salaries**	**Employer's contribution to retirement scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Göran Sture Malm	875	291	12	1,178
Mr. Savio Chow Sing Nam	144	1,800	12	1,956
Mr. Henry Kim Cho	144	828	12	984
Mr. Andrew Yao Cho Fai	144	—	7	151
Mr. Desmond Fu Hay Ching *(iii)*	—	—	—	—
Independent non-executive directors				
Mr. Philip Ma King Huen	144	—	—	144
Mr. Kenny Tam King Ching	144	—	—	144
Mr. Edgar Kwan Chi Ping	144	—	—	144
	1,739	2,919	43	4,701

The remuneration of each director for the year ended 31st March 2008 is set out below:

	Fees	**Salaries**	**Employer's contribution to retirement scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Göran Sture Malm	192	1,043	12	1,247
Mr. Savio Chow Sing Nam	192	1,867	12	2,071
Mr. Henry Kim Cho	192	838	12	1,042
Mr. Andrew Yao Cho Fai	192	—	10	202
Non-executive director				
Mr. Takeshi Kadota *(iv)*	105	—	—	105
Independent non-executive directors				
Mr. Philip Ma King Huen	192	—	—	192
Mr. Kenny Tam King Ching	192	—	—	192
Mr. Edgar Kwan Chi Ping	192	—	—	192
Mr. Yu Wang Tak *(v)*	80	—	—	80
	1,529	3,748	46	5,323

(i) Appointed on 9th August 2005

(ii) Resigned on 9th August 2005

(iii) Retired on 31st July 2006

(iv) Appointed on 15th September 2007

(v) Appointed on 1st November 2007

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31st March 2006, 2007 and 2008 including 3, 3 and 2 directors whose emoluments are reflected in the analysis presented above respectively. The emoluments payable to the remaining 2, 2 and 3 individuals for the year ended 31st March 2006, 2007 and 2008 are as follows:

	For the year ended 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Basic salaries and allowances	1,304	2,100	4,947
Bonuses	491	77	542
Employer's contributions to retirement scheme	12	77	187
	1,807	2,254	5,676

The emoluments fell within the following bands:	Number of individuals		
Nil to HK$1,000,000	1	—	—
HK$1,000,001 to HK$1,500,000	1	2	2
HK$2,500,001 to HK$3,000,000	—	—	1
	2	2	3

9. FINANCE INCOME AND COSTS

	For the year ended 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations:			
Finance income:			
Interest income from bank deposits	1,439	13,757	15,358
Interest income from an overdue trade receivables	—	2,411	—
Amortised interest income from subscription receivables *(Note 21)*	—	73,693	22,168
	1,439	89,861	37,526
Discontinued operations			
Interest income from bank deposits	268	160	120
	1,707	90,021	37,646
Continuing operations:			
Finance costs:			
Interest expense			
Interest on bank loans wholly repayable within five years	—	4,772	16,717
Net foreign exchange losses	—	—	7,015
Convertible bonds redeemable after five years *(Note 32)*	1,030	1,070	1,278
Notional interest expense — fair valuation of deferred consideration	—	1,111	1,324
Interest on finance lease obligations	—	210	713
	1,030	7,163	27,047
Discontinued operations			
Interest on bank loans wholly repayable within five years	1,112	—	—
Interest on amount due to a related party	1,154	—	—
	2,266	—	—
	3,296	7,163	27,047

10. INCOME TAX CREDIT/(EXPENSES)

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been calculated at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year.

Subsidiaries established in the Mainland China are subject to the Mainland China enterprise income tax at rates ranging from 15% to 33% (2007: 15% to 33%) up to 31st December 2007. On 16th March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("the New Tax Law") which takes effect on 1st January 2008. From 1st January 2008 onwards, the income tax rate for the subsidiaries established in the Mainland China will be gradually changed to the standard rate of 25% over a five-year transition period. According to the Circular 39 passed by the State Council on 26th December 2007, the tax exemption and reduction will be terminated latest by 2012. The Group has assessed the impact of the change and considers the financial effect on the change in tax rate does not have material effect to the financial information.

Taxation on overseas (other than Hong Kong and Mainland China) profits has been calculated on the estimated assessable profit for the year at the applicable rates of taxation prevailing in the countries in which the Group operates.

The amounts of income tax credit/(expenses) recorded in the consolidated income statement represent:

	For the year ended 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations:			
Current taxation			
Hong Kong profits tax			
— current year	—	(3,237)	(1,184)
— underprovision in prior years	—	—	(385)
Mainland China enterprise income tax			
— current year	—	—	(1,080)
— overprovision in prior years	—	198	2,319
Overseas taxation	—	(67)	(102)
Deferred taxation *(Note 33)*	—	(3)	14,766
	—	(3,109)	14,334
Discontinued operations:			
Current taxation — overprovision in prior years	5,007	120	702
	5,007	(2,989)	15,036

The taxation on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to (loss)/profit of the Group as follows:

	For the year ended 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
(Loss)/profit before income tax	(15,819)	70,410	(84,702)
Tax calculated at the weighted average domestic tax rates applicable to losses in the respective places/countries	2,768	(11,800)	16,187
Effect of			
— income not subject to tax	252	15,719	8,553
— expenses not deductible for tax	(3,020)	(1,451)	(8,911)
— deferred tax assets not recognised	—	(5,775)	(3,429)
— overprovision in prior years	—	198	1,934
Tax (expenses)/credit	—	(3,109)	14,334

During the Relevant Periods, the weighted average applicable tax rates were approximately 9.6%, 16.76% and 19.11% for the year ended 31st March 2006, 2007 and 2008 respectively.

The change in weighted average applicable tax rates is mainly caused by a change in the distribution of the profit/loss among the entities within Group in different tax jurisdictions and with different tax rates.

11. DISCONTINUED OPERATIONS

During the year ended 31st March 2008, the Group ceased its trading of steel products and provision for procurement services for steel products (including the operation of an e-commerce vertical portal for the provision of online steel trading services and ancillary services) and the consolidated results and cash flows of these operations for the Relevant Periods were as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Revenue	359,948	63,801	4,514
Cost of sales	(354,154)	(63,532)	(7,543)
Gross (loss)/profit	5,794	269	(3,029)
Other gains — net	3,341	164	32
Selling and distribution expenses	(2,180)	(180)	(6)
General and administrative expenses	(6,135)	(1,087)	(51)
Operating profit/(loss)	820	(834)	(3,054)
Finance income	268	160	120
Finance costs	(2,266)	—	—
Loss before income tax	(1,178)	(674)	(2,934)
Income tax credit	5,007	120	702
Profit/(loss) for the year from discontinued operations	3,829	(554)	(2,232)
Operating cash (outflows)/inflows	(18,517)	3,503	(1,034)
Investing cash (outflows)/inflows	160,526	351	(136)
Financing cash outflows	(152,467)	—	(430)
Total cash (outflows)/inflows	(10,458)	3,854	(1,600)

12. PROFIT/LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial information of the Company to the extent of approximately HK$25,638,000 for the year ended 31st March 2006. The profit attributable to equity holders of the Company is dealt with in the financial information of the Company to the extent of approximately HK$60,692,000 and HK$9,350,000 for the year ended 31st March 2007 and 2008 respectively.

13. EARNINGS PER SHARE

Basis (loss)/profit per share

Basic (loss)/profit per share is calculated by dividing the Group's (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the Relevant Periods.

	2006		2007		2008	
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
(Loss)/profit for the year *(HK$'000)*	(15,817)	3,829	67,301	(554)	(70,368)	(2,232)
Loss for the year attributable to minority interests *(HK$'000)*	—	—	—	—	10	—
(Loss)/profit attributable to equity holders of the Company *(HK$'000)*	(15,817)	3,829	67,301	(554)	(70,358)	(2,232)
Weight average number of ordinary shares in issue	67,581,810	67,581,810	95,794,716	95,794,716	95,794,716	95,794,716
Basic (loss)/profit per share *(HK cents)*	(23.40)	5.67	70.26	(0.58)	(73.45)	(2.33)

Diluted (loss)/profit per share

No diluted (loss)/profit per share from continuing and discontinued operations for the year ended 31st March 2008, from continuing operations for the year ended 31st March 2006, and from discontinued operations for the year ended 31st March 2007 have been presented as the potential ordinary shares are anti-dilutive.

Diluted profit per share from discontinued operations for the year end 31st March 2006 and from continuing operations for the year ended 31st March 2007 are calculated by adjusting weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and non-redeemable preference shares. The convertible bonds and non-redeemable preference shares are assumed to have been converted into ordinary shares, and the profit for the year is adjusted to eliminate the interest expenses.

	For the year ended 31st March	
	2006	2007
	Discontinued operations	Continuing operations
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	3,829	67,301
Adjustment for convertible bonds accrued interest expenses	—	1,070
Adjusted profit attributable to equity holders of the Company	3,829	68,371
	Number of Shares	
Weighted average number of ordinary shares in issue	67,581,810	95,794,716
Adjustment for convertible bonds	82,226,770	127,713,920
Adjustment for non-redeemable preference shares	613,487,316	7,819,776,251
Weighted average number of ordinary shares for diluted profit per share	763,295,896	8,043,284,887
Dulited profit per share *(HK cents)*	0.50	0.85

14. PROPERTY, PLANT AND EQUIPMENT — GROUP

	Buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Plant and machinery and demonstration machinery	Construction-in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April 2005							
Cost	—	—	2,756	1,779	—	—	4,535
Accumulated depreciation	—	—	(2,279)	(845)	—	—	(3,124)
Net book amount	—	—	477	934	—	—	1,411
Year ended 31st March 2006							
Opening net book amount	—	—	477	934	—	—	1,411
Additions	—	8	105	—	—	—	113
Disposals	—	—	(28)	(10)	—	—	(38)
Disposal of subsidiaries	—	—	(140)	(495)	—	—	(635)
Depreciation	—	(1)	(264)	(108)	—	—	(373)
Closing net book amount	—	7	150	321	—	—	478
At 31st March 2006							
Cost	—	8	2,476	804	—	—	3,288
Accumulated depreciation	—	(1)	(2,326)	(483)	—	—	(2,810)
Net book amount	—	7	150	321	—	—	478

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Plant and machinery and demonstration machinery HK$'000	Construction-in-progress HK$'000	Total HK$'000
Year ended 31st March 2007							
Opening net book amount	—	7	150	321	—	—	478
Additions upon:							
— acquisition of subsidiaries	—	1,902	1,974	398	13,465	—	17,739
— subscription of shares in jointly controlled entities	6,967	63	787	854	4,633	5,844	19,148
Additions	—	44	377	198	34	1,999	2,652
Disposals	—	—	(35)	(321)	(4,769)	—	(5,125)
Depreciation	(128)	(130)	(523)	(266)	(970)	—	(2,017)
Transfer from inventories	—	—	—	—	2,918	—	2,918
Other transfers	—	—	2,800	—	—	(2,800)	—
Exchange realignments	85	—	38	10	76	12	221
Closing net book amount	6,924	1,886	5,568	1,194	15,387	5,055	36,014
At 31st March 2007							
Cost	7,079	2,018	8,377	1,476	16,418	5,055	40,423
Accumulated depreciation	(155)	(132)	(2,809)	(282)	(1,031)	—	(4,409)
Net book amount	6,924	1,886	5,568	1,194	15,387	5,055	36,014
Year ended 31st March 2008							
Opening net book amount	6,924	1,886	5,568	1,194	15,387	5,055	36,014
Additions	—	5,401	3,442	850	1,475	2,404	13,572
Disposals	(119)	—	(28)	(81)	(2,196)	—	(2,424)
Depreciation	(490)	(799)	(1,676)	(423)	(3,328)	—	(6,716)
Transfer from inventories	—	—	—	—	21,981	—	21,981
Other transfers	3,816	—	750	—	33	(4,599)	—
Exchange realignments	570	78	436	102	495	498	2,179
Closing net book amount	10,701	6,566	8,492	1,642	33,847	3,358	64,606
At 31st March 2008							
Cost	13,776	9,091	21,263	5,479	43,868	3,358	96,835
Accumulated depreciation	(3,075)	(2,525)	(12,771)	(3,837)	(10,021)	—	(32,229)
Net book amount	10,701	6,566	8,492	1,642	33,847	3,358	64,606

During the Relevant Periods, depreciation expense has been included in general and administrative expenses and cost of sales as follows:

	For the year ended 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
General and administrative expenses	373	1,158	3,924
Cost of sales	—	859	2,792

The net book amount of the Group's property, plant and equipment held under finance leases as at 31st March 2006, 2007 and 2008 are as follows:

	As at 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Plant and machinery and domonstration machinery	—	1,278	26,733
Motor vehicles	—	26	—
	—	1,304	26,733

Certain property, plant and equipment are pledged as security for the Group's banking facilities. Details are set out in Note 38 to the Financial Information.

15. INVESTMENT PROPERTIES

	Group		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Opening net book amount	—	—	2,206
Additions upon subscription of shares in jointly controlled entities	—	2,200	—
Depreciation	—	(18)	(81)
Exchange realignments	—	24	163
Closing net book amount	—	2,206	2,288
At 31st March			
Cost	—	2,411	2,595
Accumulated depreciation	—	(205)	(307)
Net book amount	—	2,206	2,288

The share of the fair value of the Group's investment properties is approximately HK$2,320,000 and HK$2,520,000 as at 31st March 2007 and 2008 respectively, which has been arrived at on the basis of the valuation carried out at that date by Savills Valuation and Professional Services Limited, an independent professional valuer, by reference to market evidence of transaction prices for similar properties.

All of the Group's investment properties are held for rental purposes under operating leases.

Certain investment properties are pledged as security for the Group's banking facilities. Details are set out in Note 38 to the Financial Information.

16. LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights are analysed as follows:

		Group	
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
In Hong Kong held on:			
Leases of between 10 and 50 years	—	5,816	5,988
Outside Hong Kong held on:			
Leases of over 50 years	—	581	13,041
Leases of between 10 and 50 years	—	5,472	206
	—	11,869	19,235
Opening net book amount	—	—	11,869
Additions	—	—	7,253
Additions upon subscription of shares in jointly controlled entities	—	11,857	—
Amortisation	—	(60)	(374)
Exchange realignments	—	72	487
Closing net book amount	—	11,869	19,235

Certain leasehold land and land use right are pledged as security for the Group's banking facilities. Details are set out in Note 38 to the Financial Information.

17. INTANGIBLE ASSETS — GROUP

	Goodwill	Trademarks	Development rights and franchise fees	Distribution agreements	Customer relation-ships	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31st March 2006							
Opening net book amount	—	—	—	—	—	21	21
Amortisation	—	—	—	—	—	(15)	(15)
Closing net book amount	—	—	—	—	—	6	6
At 31st March 2006							
Cost	—	—	—	—	—	33,369	33,369
Accumulated amortisation	—	—	—	—	—	(33,363)	(33,363)
Net book amount	—	—	—	—	—	6	6
Year ended 31st March 2007							
Opening net book amount	—	—	—	—	—	6	6
Additions upon:							
— acquisition of subsidiaries	373,692	—	—	16,750	19,010	60	409,512
— subscription of shares in jointly controlled entities	6,571	15,600	—	—	6,400	51	28,622
Amortisation	—	(347)	—	(2,326)	(3,174)	(14)	(5,861)
Closing net book amount	380,263	15,253	—	14,424	22,236	103	432,279
At 31st March 2007							
Cost	380,263	15,600	—	16,750	25,410	33,480	471,503
Accumulated amortisation	—	(347)	—	(2,326)	(3,174)	(33,377)	(39,224)
Net book amount	380,263	15,253	—	14,424	22,236	103	432,279
Year ended 31st March 2008							
Opening net book amount	380,263	15,253	—	14,424	22,236	103	432,279
Additions	—	—	2,150	—	—	—	2,150
Amortisation	—	(1,040)	(201)	(5,583)	(7,937)	(21)	(14,782)
Closing net book amount	380,263	14,213	1,949	8,841	14,299	82	419,647
At 31st March 2008							
Cost	380,263	15,600	2,150	16,750	25,410	33,480	473,653
Accumulated amortisation	—	(1,387)	(201)	(7,909)	(11,111)	(33,398)	(54,006)
Net book amount	380,263	14,213	1,949	8,841	14,299	82	419,647

Amortisation of approximately HK$15,000, HK$5,861,000 and HK$14,782,000 for the Relevant Periods is included in general and administrative expenses.

Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs identified according to business segment.

A segment-level summary of the goodwill allocation is presented below:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
SMT trading	—	373,692	373,692
Fishmeal and fish oil	—	6,571	6,571
	—	380,263	380,263

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period.

The key assumptions used for value-in-use calculations are as follows:

	As at 31st March 2007		**As at 31st March 2008**	
	SMT trading	**Fishmeal and fish oil**	**SMT trading**	**Fishmeal and fish oil**
Gross margin	13.7%	12.3%	12.8%-12.9%	8.8%
Growth rate in the first year	20%	45%	50.1%	23.5%
Growth rates from the second year onwards	5-20%	9%-21%	14.1%-14.4%	10.0%
Discount rate	12.75%	14%	10%	10%

These assumptions have been used for the analysis of each CGU within the business segment.

Management determined budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The directors are of the opinion that there was no impairment of goodwill as at 31st March 2007 and 2008.

18. INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES — COMPANY

In the Company's balance sheet, details of interests and amounts due from subsidiaries are as follows:

	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*
Unlisted shares, at cost	3,500	—	—
Amounts due from subsidiaries *(Note 40(b))*	148,308	589,435	688,192
Less: Accumulated impairment losses	(148,808)	—	—
	3,000	589,435	688,192
Less: Current portion	(3,000)	—	(6,318)
Non-current portion	—	589,435	681,874

The following is a list of subsidiaries as at 31st March 2006, 2007 and 2008:

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital/ registered capital	Percentage of equity interest held by the Group 2006	2007	2008
Ace Level Investments Limited *(i)*	British Virgin Islands, limited liability company	Dormant	1 ordinary share of US$1 each	100%	100%	—
American Tec Company Limited *(v)*	Hong Kong, limited liability company	Trading of SMT equipment	60,000,000 ordinary shares of HK$1 each	—	100%	100%
American Tec (S.E.A.) Pte. Ltd. *(v)*	Singapore, limited liability company	Refurbishment of SMT machinery, sale of refurbished SMT machinery and spare parts	1 ordinary share of S$1 each	—	100%	100%
American Tec Electronic India Private Limited *(v)*	India, limited liability company	Provision of machinery installation, training, repair and maintenance services	1,879,000 ordinary shares of INR10 each *(iv)*	—	100%	100%

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital/ registered capital	Percentage of equity interest held by the Group 2006	2007	2008
American Tec Macao Commercial Offshore Company Limited (formerly known as "iSteelAsia Logistics Macao Commercial Offshore Company Limited") *(v)*	Macau, limited liability company	Trading	1 ordinary share of MOP100,000 each	100%	100%	100%
Autron American Technology Company Limited *(ii) (vi)*	Mainland China, limited liability company	Dormant	US$200,000	—	100%	100%
American Tec India (HK) Limited *(v)*	Hong Kong, limited liability company	Dormant	1 ordinary share of HK$1 each	—	—	100%
Best Creation Investments Limited *(v)*	British Virgin Islands, limited liability company	Investment holding	60,000,000 ordinary shares of US$1 each	—	100%	100%
Glory Ally Limited *(v)*	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	—	100%	100%
Good Tactics Limited *(v)*	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	—	100%	100%
iAsiaB2B Group Limited *(i) (v)*	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	100%	100%	100%
ISA Group Holdings Limited *(v)*	British Virgin Islands, limited liability company	Investment holding	10,000 ordinary shares of US$1 each	100%	100%	100%
iSteel Holdings (B.V.I.) Limited *(v)*	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	100%	100%	100%

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital/ registered capital	Percentage of equity interest held by the Group 2006	2007	2008
iSteel (MT) Holdings Limited *(v)*	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	100%	100%	100%
iSteelAsia (Hong Kong) Limited *(v)*	Hong Kong, limited liability company	Dormant	2 ordinary shares of HK$1 each	100%	100%	100%
iSteelAsia Limited *(v)*	British Virgin Islands, limited liability company	Dormant	10 ordinary shares of US$1 each	100%	100%	100%
MetalAsia Holdings Limited *(v)*	British Virgin Islands, limited liability company	Investment holding	2,000 ordinary shares of US$1 each	100%	100%	100%
Metal Logistics Company Limited *(v)*	Hong Kong, limited liability company	Dormant	4 ordinary shares of HK$1 each	100%	100%	100%
Nation Zone Holdings Limited *(i) (v)*	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	—	100%	100%
North Asia Strategic (HK) Limited *(i) (v)*	Hong Kong, limited liability company	Management	1 ordinary share of HK$1 each	100%	100%	100%
Perfect Combo Limited *(v)*	Hong Kong, limited liability company	Operation of fast food restaurants under Burger King brand	1 ordinary share of HK$1 each	—	100%	100%
Shanghai iSteelAsia International Limited *(ii) (vi)*	Mainland China, limited liability company	Dormant	US$200,000	100%	100%	100%
Shenzhen Autron American Tec Company Limited *(iii) (vi)*	Mainland China, limited liability company	Trading of electronic products, and spare parts and provision of repair and installation services	RMB3,000,000	—	100%	100%
Smart Tactics Limited	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	—	100%	100%

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital/ registered capital	Percentage of equity interest held by the Group		
				2006	2007	2008
Tianjin American Tec Trading Company Limited *(ii) (vi)*	Mainland China, limited liability company	Trading of electronic products and spare parts	US$200,000	—	100%	100%
Tianjin iSteelAsia International Limited *(ii) (vi)*	Mainland China, limited liability company	Trading of steel	US$200,000	100%	100%	—
Upward Move Limited *(v)*	Hong Kong, limited liability company	Dormant	1 ordinary share of HK$1 each	—	100%	100%
Ya Gang Wang Co. Limited *(v)*	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	100%	100%	100%
Yu Tai Steel (Shanghai) Co. Ltd. *(ii) (vi)*	Mainland China, limited liability company	Dormant	US$200,000	100%	100%	100%
蘇州美亞電子科技有限公司 *(iii) (vi)*	Mainland China, limited liability company	Dormant	RMB500,000	—	100%	100%

Notes:

(i) Shares of these companies are held directly by the Company. Shares of the other companies are held indirectly.

(ii) These are wholly foreign owned enterprises established in Mainland China to operate for periods from 10 to 50 years up to 2011 to 2052.

(iii) These are domestic enterprises established in Mainland China to operate for periods from 20 to 50 years up to 2024 to 2056.

(iv) As at 31st March 2007, the issued share capital was 1,756,434 ordinary shares of INR10 each.

(v) These companies have adopted 31st March as their financial year end date.

(vi) These companies have adopted 31st December as their financial year end date.

19. JOINTLY CONTROLLED ENTITIES

The Group subscribed for 100,000,000 non-redeemable convertible preferred share capital of Coland Group Limited ("Coland"). Upon full conversion of the preferred shares to ordinary shares, the Group will have 40% equity interests in Coland. In accordance with an agreement between the Group and the other joint venturer, all matters relating to Coland require joint approval by both parties. Therefore Coland has been accounted for as a jointly controlled entity. Coland principally engaged in the processing and sale of fish meal, refining and sale of fish oil, manufacturing and sale of aquatic feed products and trading of other raw materials relating to acquate feeds. The following amounts represent the Group's 40% share of the assets and liabilities, and revenue and expenses of the joint venture. They are included in the consolidated balance sheet and income statement:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Long-term assets	—	60,017	73,882
Current assets	—	280,997	335,896
	—	341,014	409,778
Liabilities			
Long-term liabilities	—	(4,380)	(3,440)
Current liabilities	—	(189,222)	(242,337)
	—	(193,602)	(245,777)
Net assets	—	147,412	164,001

	For the year ended 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	—	104,660	418,499
Expenses	—	(101,139)	(417,118)
Profit for the year	—	3,521	1,381

As at 31st March 2006, 2007 and 2008, capital commitments relating to the jointly controlled entities at the balance sheet date but not yet incurred are as follows:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment			
Contracted but not provided for	—	2,853	16,379
Authorised but not contracted for	—	686	15,240
	—	3,539	31,619

There are no contingent liabilities relating to the jointly controlled entities as at 31st March 2006, 2007 and 2008.

The following is a list of jointly controlled entities as at 31st March 2006, 2007 and 2008:

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital/ registered capital	Percentage of equity Interest indirectly held by the Group		
				2006	2007	2008
Coland Group Limited *(iii)*	Bermuda, limited liability company	Investment holding	150,000,000 ordinary shares of HK$0.1 each and 100,000,000 preference shares of HK$0.1 each	—	40%	40%
Coland Holdings Company Limited *(iii)*	Hong Kong, limited liability company	Sourcing of fishmeal and fish oil investment holding, property holding	5,000,000 ordinary shares of HK$1 each	—	40%	40%
Coland Management Limited *(iii)*	Hong Kong, limited liability company	Inactive	10 ordinary shares of HK$1 each	—	40%	40%
Coland Shipping Limited *(iii)*	Hong Kong, limited liability company	Provision of shipping agency services	HK$10	—	40%	40%
Fujian Coland Enterprises Co., Ltd. *(i) (iv)*	Mainland China, limited liability company	Processing fishmeal, refining fish oil, trading of processed fishmeal and refined fish oil, property holding, investment holding	RMB52,000,000	—	40%	40%
Fujian Coland Feed Co., Ltd. *(i) (iv)*	Mainland China, limited liability company	Production and distribution of feeds	RMB20,000,000	—	—	40%
Fujian Coland Logistics Co., Ltd. *(i) (iv)*	Mainland China, limited liability company	Sales and supply of raw fishmeal, property investment holding, investment holding	RMB42,000,000	—	40%	40%
Fujian Coland-Nosan Feed Co., Ltd. *(i) (iv)*	Mainland China, limited liability company	Production and distribution of feeds	RMB20,000,000	—	—	24%

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital/ registered capital	Percentage of equity Interest indirectly held by the Group 2006	2007	2008
Fuzhou Economic Technical Development Zone Coland Feeds Co., Ltd. *(ii) (iv)*	Mainland China, limited liability company	Manufacturing and sales of aquatic feeds	US$2,500,000	—	40%	40%
Fuzhou Free Trade Zone Coland Bioengineering Co., Ltd. *(ii) (iv)*	Mainland China, limited liability company	Manufacturing and sales of fish oil	US$5,000,000 *(v)*	—	40%	40%
Joint Group Limited *(iii)*	British Virgin Islands, limited liability company	Investment holding	5,500 shares of US$1 each *(vi)*	—	24%	24%
Ocean Resource Macao Commercial Offshore Limited (formerly known as "Coland Macao Commercial Offshore Limited") *(iv)*	Macau, limited liability company	Sourcing of fishmeal and crude fish oil, property holding	MOP500,000	—	40%	40%
Rising Trend International Limited *(iii)*	British Virgin Islands, limited liability company	Investment holding	6,290 shares of US$1 each	—	40%	40%
Wuhan Coland Feed Co., Ltd. *(i) (iv)*	Mainland China, limited liability company	Production and distribution of aquatic feeds	US$1,800,000	—	40%	40%
Wuhan Coland Seafood Co., Ltd *(i) (iv)*	Mainland China, limited liability company	Production and distribution of seafood	US$2,100,000	—	40%	40%

Notes:

(i) These companies are wholly foreign owned enterprises.

(ii) These companies are sino foreign equity joint ventures.

(iii) These companies have adopted 31st March as their financial year end date.

(iv) These companies have adopted 31st December as their financial year end date.

(v) As at 31st March 2007, the registered capital was US$1,000,000.

(vi) As at 31st March 2007, the issued share capital was 600 shares of US$1.00 each.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
At the beginning of the year	—	—	—
Additions	—	—	3,057
Decrease in fair value to equity *(Note 27)*	—	—	(193)
Exchange realignments	—	—	617
At the end of the year	—	—	3,481
Available-for-sale financial assets including the following:			
Listed securities – overseas	—	—	3,481

There were no disposals or impairment provisions on available-for-sale financial assets for the year ended 31st March 2008.

Available-for-sale financial assets are denominated in Japanese Yen.

21. SUBSCRIPTION RECEIVABLES — GROUP AND COMPANY

During the Relevant Periods, the Company issued a total of 13,373,254,851 non-redeemable preference shares, with a par value of HK$0.01 each, through placements, for an aggregated amount of approximately HK$2,273,037,000. Details of each placement are set out below:

	First Tranche of The First Placement	**Second Tranche of The First Placement**	**Second Placement**
Month of issue	February and March 2006	September 2006	December 2007
Number of non-redeemable preference shares issued	7,383,166,793	792,848,020	5,197,240,038
Subscription price per share *(HK$)*	0.1566	0.1566	0.1910
Aggregated subscription price *(HK$)*	1,156,204,000	124,160,000	992,673,000

The subscription prices are payable in cash by the subscribers in four equal instalments for the First Placement. For the First Tranche of the First Placement, the first instalment was received by the Company in February and March 2006 upon completion of the subscriptions. For the Second Tranche of the First Placement, the first instalment was received by the Company in September 2006. The second and third instalments have been received by the Company in October and December 2006 respectively in accordance with the terms of the preference shares and the remaining instalment is receivable in February 2009.

The subscription prices of the Second Placement are payable in cash by the subscribers in three equal instalments. The first instalment has been received by the Company in December 2007, upon the completion of the subscription of the Second Placement. The remaining instalments are receivable in June 2008 and February 2009 respectively.

In the event that the subscription prices previously paid to the Company from time to time for the preference shares are insufficient to make any potential investments approved by the board of directors of the Company and/or pay fees or expenses which are payable by the Company under the services agreement signed between the Company and North Asia Strategic Advisors ("NASA") on 26th September 2005 (as amended on 30th December 2005), the Company shall be entitled to require the relevant amount of instalment to be paid on a date specified by the Company but not earlier than 45 days from the date serving the payment notice by the Company.

Any unpaid balance of the subscription prices remaining payable immediately prior to 28th February 2009 or, if earlier, the business day immediately preceding the date of conversion of the preference shares into ordinary shares, shall in any event be receivable by the Company on such date, as the case may be.

The subscription receivables recognised in the balance sheet is calculated as follows:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Subscription receivables	867,153	960,273	1,622,055
Less: Future interest	(101,608)	(111,573)	(137,305)
Add: Amortised interest income	—	73,693	95,861
	765,545	922,393	1,580,611
Less: Subscriptions received	—	(640,182)	(640,182)
Subscription receivables	765,545	282,211	940,429
Less: Non-current portion	(494,135)	(282,211)	—
Current portion	271,410	—	940,429

The carrying amounts of subscription receivables approximate their fair values.

Amortised interest income recognised as income and included in finance income during the Relevant Periods are as follows:

	For the year ended 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Finance income *(Note 9)*	—	73,693	22,168

Interest income on the subscription receivables is calculated using the effective interest method by applying the effective interest rates ranging from 6% to 6.5% per annum.

22. NON-CURRENT DEPOSITS

	Group		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Rental and other deposits	—	—	3,307

The rental and other deposits are denominated in Hong Kong dollar.

23. INVENTORIES

	Group		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	26,399	106,872	111,568
Finished goods	—	153,138	201,620
Consumables	—	10,420	1,157
	26,399	270,430	314,345

Certain inventories are pledged as security for the Group's banking facilities. Details are set out in Note 38 to the Financial Information.

24. TRADE AND OTHER RECEIVABLES

	Group			Company		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills receivables *(Note (a))*	589	136,158	174,888	—	—	—
Less: Provision for trade receivables	(474)	(6,867)	(8,285)	—	—	—
	115	129,291	166,603	—	—	—
Prepayments	91	7,227	10,259	—	458	—
Deposits to suppliers	102	24,006	7,464	—	—	—
Rental deposits	226	1,539	840	—	—	—
Interest receivables	707	200	97	707	200	97
Balance of consideration	98	—	—	—	—	—
Finance lease receivables *(Note (b))*	—	4,539	4,676	—	—	—
Other receivables	15,521	957	6,099	—	—	—
	16,860	167,759	196,038	707	658	97

(a) Trade and bills receivables

The Group generally requires letter of credit or documents against payment, with some cases granting a credit period of 30 to 90 days. At 31st March 2006, 2007 and 2008, the aging analysis of trade receivables is as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
90 days or less	—	90,174	118,083
91 to 180 days	—	19,862	21,434
181 to 270 days	115	13,661	15,652
271 to 365 days	—	2,096	4,946
Over 365 days	—	3,498	6,488
	115	129,291	166,603

The carrying amounts of trade receivables approximate their fair values.

The Group's trading terms with its customers are mainly on letter of credit or documents against payment, except for new customers, where payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables less than six months past due are normally not considered as impaired except for the balance of approximately HK$5,000 and HK$285,000 as at 31st March 2007 and 2008. As of 31st March 2006, 2007 and 2008, trade receivables of approximately HK$115,000, HK$19,225,000 and HK$27,086,000 were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Over 6 months and up to 9 months	115	13,661	15,652
Over 9 months	—	5,594	11,434
	115	19,225	27,086

As of 31st March 2006, 2007 and 2008, trade receivables of approximately HK$474,000, HK$6,867,000 and HK$8,285,000 were impaired and fully provided for. The individually impaired receivables mainly relate to certain manufacturers, which are in unexpected difficult economic situations. The aging of these receivables is as follows:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Less than 6 months	—	5	285
Over 6 months and up to 9 months	—	251	646
Over 9 months	474	6,611	7,354
	474	6,867	8,285

Movements on the provision for impairment of trade receivables are as follows:

	For the year ended 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
At the beginning of the year	453	474	6,867
Additions upon subscription of shares in jointly controlled entities	—	4,499	—
Provision for trade receivables	21	2,251	1,984
Receivables written off during the year as uncollectible	—	(474)	(1,262)
Exchange realignments	—	117	696
At the end of the year	474	6,867	8,285

The creation or release of provision for impaired receivables has been included in selling and distribution expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong dollar	115	1,877	2,975
US dollar	—	82,172	100,369
Japanese Yen	—	28,100	27,874
Renminbi	—	16,264	32,796
Other currencies	—	878	2,589
	115	129,291	166,603

Certain bill receivables are pledged as security for the Group's banking facilities. Details are set out in Note 38 to the Financial Information.

(b) Finance lease receivables:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Finance lease receivables are analysed as follows:			
Finance leases — gross receivables	—	4,956	5,169
Unearned finance income	—	(417)	(493)
	—	4,539	4,676
Finance leases receivables:			
— Within 1 year	—	4,539	4,619
— Between 1 and 2 years	—	—	57
	—	4,539	4,676

(c) The carrying amounts of interest receivable, finance lease receivables and other receivables approximate their fair values.

(d) The maximum exposure to credit risk at the balance sheet date is the carrying amount of trade and other receivables.

25. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Group			Company		
	2006	2007	2008	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and on hand	10,748	77,159	67,532	7,842	1,561	22,577
Short-term bank deposits	282,099	364,394	558,571	282,099	364,394	558,389
Cash and cash equivalents	292,847	441,553	626,103	289,941	365,955	580,966
Pledged bank deposits	3,055	49,899	48,390	—	—	—
	295,902	491,452	674,493	289,941	365,955	580,966

As at 31st March 2006, 2007 and 2008, the effective interest rates on short-term bank deposits were approximately 4.00%, 4.00% and 1.09% per annum; these deposits have an average maturity of 30 days, 14 days and 7 days.

As at 31st March 2006, 2007 and 2008 the pledged deposits were pledged as collateral for the Group's banking facilities and the effective interest rate on pledged bank deposits were approximately 4.31%, 1.60% and 3.47% per annum, these deposits have an average maturity of 182 days, 238 days and 258 days respectively.

Cash and cash equivalents and pledged bank deposits were denominated in the following currencies:

	Group			Company		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollar	291,555	376,119	594,614	289,933	365,947	580,958
US dollar	4,173	58,792	10,771	8	8	8
Renminbi	174	51,008	62,586	—	—	—
Others	—	5,533	6,522	—	—	—
	295,902	491,452	674,493	289,941	365,955	580,966

The Group's cash and cash equivalents denominated in Renminbi are deposited with banks in the Mainland China. The conversion of these Renminbi denominated balances into foreign currencies and the remittance of funds out of the Mainland China is subject to the rules and regulations of foreign exchange control promulgated by the Mainland China Government.

26. SHARE CAPITAL

	Ordinary shares		Preference shares		
	Number of shares	**Ordinary shares capital**	**Number of shares**	**Preference share capital**	**Total**
	'000	*HK$'000*	*'000*	*HK$'000*	*HK$'000*
Authorised:					
At 31st March 2006, 2007 and 2008	40,000,000	400,000	30,000,000	300,000	700,000
Analysed as —					
Ordinary shares of HK$0.01 each	40,000,000	400,000	—	—	400,000
Preference shares of HK$0.01 each	—	—	30,000,000	300,000	300,000
	40,000,000	400,000	30,000,000	300,000	700,000
Issued:					
At 1st April 2005	1,596,590	159,659	—	—	159,659
Capital reorganisation *(Note a(i))*	(1,580,919)	(159,529)	—	—	(159,529)
Issuance of ordinary shares					
— upon exercise of warrants *(Note a(ii))*	298	30	—	—	30
— under a subscription agreement *(Note a(iii))*	63,857	639	—	—	639
— under an open offer *(Note a(iv))*	15,969	159	—	—	159
Issue of preference shares *(Note b(i))*	—	—	7,383,167	73,832	73,832
At 31st March 2006 and 1st April 2006	95,795	958	7,383,167	73,832	74,790
Issue of preference shares *(Note b(ii))*	—	—	792,847	7,928	7,928
At 31st March 2007 and 1st April 2007	95,795	958	8,176,014	81,760	82,718
Issue of preference shares *(Note b(iii))*	—	—	5,197,240	51,973	51,973
At 31st March 2008	95,795	958	13,373,254	133,733	134,691

Notes:

(a)(i) For every 100 ordinary shares of HK$0.10 each consolidate into one share of HK$10.0 and thereafter reduce the Company's issued share capital by way of cancellation of the paid-up capital to the extent of HK$9.99 on each issued consolidated share such that the par value of all the issued consolidated shares would be reduced from HK$10.0 each to HK$0.01 each;

Increase in the Company's authorised share capital back to its original amount of HK$400,000,000 by the creation of additional 36,000,000,000 ordinary share of HK$0.01 each;

Cancel the Company's entire share premium reserve of approximately HK$11,099,000;

The credits arising from the aforementioned capital reduction of approximately HK$159,529,000 and from the cancellation of the share premium reserve of HK$11,099,000, totaling approximately HK$170,628,000, were transferred to the Company's contributed surplus account and were set off against the Company's accumulated losses;

(a)(ii) On 23rd May 2002, the Company issued approximately 312,900,000 warrants to its shareholders on the basis of one warrant for every five ordinary shares of the Company at no charge. The warrants entitle the holders to subscribe in cash for ordinary shares of HK$0.10 each in the Company at a subscription price of HK$0.10 each (subject to adjustment) and are exercisable from 18th June 2002 to 17th June 2005. During the year ended 31st March 2006, 298,000 warrants were exercised to subscribe for 298,000 shares of the Company at a consideration of approximately HK$30,000. All the outstanding warrants at 17th June 2005 were expired.

(a)(iii) Issue an aggregate of approximately 63,857,000 shares with a par value of HK$0.01 each, after the aforementioned capital reorganisation, at a subscription price of HK$0.1566 each, raising approximately HK$10,000,000;

(a)(iv) An offer to shareholders to subscribe new shares with a par value of HK$0.01 each, at a subscription price of HK$0.1566 each, on the basis of one new share for holder of one share after the aforementioned capital reorganisation. In this transaction, the Company issued approximately 15,969,000 shares of HK$0.01 each, after the aforementioned capital reorganisation, raising approximately HK$2,500,000. Such an offer was underwritten by Van Shung Chong (B.V.I.) Limited, a then substantial shareholder which held approximately 18.9% of the Company's equity interest;

(b)(i) In February and March 2006, the Company issued a total of 7,383,166,793 non-redeemable preference shares, with a par value of HK$0.01 each, at a subscription price of HK$0.1566 each through placement, for an aggregated amount of approximately HK$1,156,200,000 (First Tranche).

(b)(ii) In September 2006, the Company issued a total of 792,848,020 non-redeemable preference shares, with a par value of HK$0.01 each, at a subscription price of HK$0.1566 each through placement, for an aggregated amount of approximately HK$124,164,000 (Second Tranche).

(b)(iii) In December 2007, the Company entered into subscription agreements with certain independent and related parties (Note 39(c)) to issue 5,197,240,038 preference shares at HK$0.191 per share with total proceed amounting to approximately HK$992,673,000 (Second Placement).

The preference shares are non-redeemable and are convertible into ordinary shares in the Company at a conversion ratio of one preference share into one ordinary share. The preference shares will rank pari passu with the ordinary shares of the Company with regards to dividends.

The preference shares will be automatically converted into ordinary shares upon the listing of the converted ordinary shares on the Main Board of The Stock Exchange of Hong Kong Limited, or on the fourth anniversary (28th February 2010), whichever is earlier.

27. RESERVES

	Group							
	Share premium HK$'000	Contributed surplus HK$'000	Equity portion of convertible bonds HK$'000	Capital reserve HK$'000	Investment revaluation reserves HK$'000	Cumulative translation adjustments HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
Balances at 1st April 2005	11,099	—	—	2,700	—	19	(171,340)	(157,522)
Loss attributable to equity holders of the Company	—	—	—	—	—	—	(11,988)	(11,988)
Capital reorganisation *(Note 26 a(i))*	(11,099)	170,628	—	—	—	—	—	159,529
Elimination of accumulated losses *(Note 26 a(i))*	—	(161,644)	—	—	—	—	161,644	—
Issue of ordinary shares								
— under a subscription agreement *(Note 26 a(iii))*	9,361	—	—	—	—	—	—	9,361
— under an open offer *(Note 26 a(iv))*	2,341	—	—	—	—	—	—	2,341
Issue of preference shares	980,764	—	—	—	—	—	—	980,764
Share issue expenses								
— ordinary shares	(2,186)	—	—	—	—	—	—	(2,186)
— preference shares	(12,173)	—	—	—	—	—	—	(12,173)
Convertible bonds								
— equity component	—	—	6,388	—	—	—	—	6,388
Translation adjustments								
— net	—	—	—	—	—	291	—	291
Balances at 1st April 2006	978,107	8,984	6,388	2,700	—	310	(21,684)	974,805
Profit attributable to equity holders of the Company	—	—	—	—	—	—	66,747	66,747
Issue of preference shares	106,271	—	—	—	—	—	—	106,271
Share issue expenses								
— preference shares	(741)	—	—	—	—	—	—	(741)
Translation adjustments								
— net	—	—	—	—	—	1,540	—	1,540
Balances at 31st March 2007 and 1st April 2007	1,083,637	8,984	6,388	2,700	—	1,850	45,063	1,148,622
Loss attributable to equity holders of the Company	—	—	—	—	—	—	(72,590)	(72,590)
Issue of preference shares	914,968	—	—	—	—	—	—	914,968
Share issue expenses — preference shares	(5,970)	—	—	—	—	—	—	(5,970)
Decrease in fair value of available-for-sale financial assets *(Note 20)*	—	—	—	—	(193)	—	—	(193)
Translation adjustments								
— net	—	—	—	—	—	11,128	—	11,128
Balances at 31st March 2008	1,992,635	8,984	6,388	2,700	(193)	12,978	(27,527)	1,995,965

	Share premium HK$'000	Contribution surplus HK$'000	Company Equity portion of convertible bonds HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
Balances at 1st April 2005	11,099	—	—	(161,644)	(150,545)
Loss attributable to equity shareholders of the Company	—	—	—	(25,638)	(25,638)
Capital reorganisation *(Note 26 a(i))*	(11,099)	170,628	—	—	159,529
Elimination of accumulated losses *(Note 26 a(i))*	—	(161,644)	—	161,644	—
Issue of ordinary shares					
— under a subscription agreement *(Note 26 a(iii))*	9,361	—	—	—	9,361
— under an open offer *(Note 26 a(iv))*	2,341	—	—	—	2,341
Issue of preference shares	980,760	—	—	—	980,760
Share issue expenses					
— ordinary shares	(2,182)	—	—	—	(2,182)
— preference shares	(12,173)	—	—	—	(12,173)
Convertible bonds — equity component	—	—	6,388	—	6,388
Balances at 1st April 2006	978,107	8,984	6,388	(25,638)	967,841
Profit attributable to equity shareholders of the Company	—	—	—	60,692	60,692
Issue of preference shares	106,271	—	—	—	106,271
Share issue expenses					
— preference shares	(741)	—	—	—	(741)
Balances at 31st March 2007 and 1st April 2007	1,083,637	8,984	6,388	35,054	1,134,063
Profit attributable to equity shareholders of the Company	—	—	—	9,350	9,350
Issue of preference shares	914,968	—	—	—	914,968
Share issue expenses — preference shares	(5,970)	—	—	—	(5,970)
Balances at 31st March 2008	1,992,635	8,984	6,388	44,404	2,052,411

28. BORROWINGS

Borrowings are analysed as follows:

	Group 2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Bank borrowings *(Note (a))*	—	161,516	176,795
Finance lease obligations *(Note (b))*	—	2,483	16,379
Total borrowings	—	163,999	193,174
Less: Non-current portion	—	(4,538)	(10,338)
Current portion	—	159,461	182,836

(a) Bank borrowings

	Group 2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Non-current			
Mortgage loans – secured	—	4,380	3,440
Current			
Discounted bills with recourse – secured	—	4,440	30,833
Trust receipt loans – secured	—	110,256	99,955
Bank loans – unsecured	—	41,601	41,636
Mortgage loans – secured	—	839	931
	—	157,136	173,355
Total bank borrowings	—	161,516	176,795

The carrying amounts of the bank borrowings are denominated in the following currencies:

	Group 2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong dollar	—	9,874	15,223
US dollar	—	85,580	96,656
Renminbi	—	27,780	18,031
Japanese Yen	—	33,857	42,508
Other currencies	—	4,425	4,377
	—	161,516	176,795

The effective interest rates (per annum) at the balance sheet date were as follows:

	Hong Kong dollar	US dollar	Renminbi	Japanese Yen	Others currencies
As at 31st March 2006					
Discounted bills with resource	—	—	—	—	—
Trust receipts loans	—	—	—	—	—
Bank loans	—	—	—	—	—
Mortgage loans	—	—	—	—	—
As at 31st March 2007					
Discounted bills with resource	—	7.5%	3.7%	—	—
Trust receipts loans	7.5%	7.3%	5.6%	3.2%	0.2%
Bank loans	—	6.5%	6.4%	—	—
Mortgage loans	6.5%	—	6.5%	—	—
As at 31st March 2008					
Discounted bills with resource	—	5.3%	6.3%	—	—
Trust receipts loans	5.7%	5.0%	7.9%	5.7%	—
Bank loans	4.5%	5.7%	6.7%	—	—
Mortgage loans	5.0%	—	—	—	—

The carrying amounts of all bank borrowings approximate their fair values, as the impact of discounting is not significant.

Bank borrowings denominated in Hong Kong dollar, US dollar and Japanese Yen are being charged interest at floating rates at HIBOR or LIBOR plus 1.25% to 2% per annum or at prime rates less 2.5% or plus 0.5% per annum offered by various banks.

Bank loans denominated in Renminbi are being charged interest at floating rates between LIBOR plus 0.8% and LIBOR plus 2% per annum and fixed rates between 5.08% and 10.08% per annum.

The maturity of bank borrowings is as follows:

	Group		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Wholly repayable within 5 years	—	156,298	175,299
Not wholly repayable within 5 years	—	5,218	1,496
	—	161,516	176,795

The bank borrowings are repayable as follows:

	Group		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	—	157,137	173,355
Between 1 and 2 years	—	897	973
Between 2 and 5 years	—	2,521	1,696
Over 5 years	—	961	771
	—	161,516	176,795

(b) Finance lease obligations

At 31st March 2006, 2007 and 2008, the Group had obligations under finance lease repayable as follows:

	Group		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Finance lease liabilities — minimum lease payments:			
— Within 1 year	—	2,368	10,215
— Between 1 and 2 years	—	158	7,070
— Between 2 and 5 years	—	—	52
	—	2,526	17,337
Future finance charges on finance leases	—	(43)	(958)
Present value of finance lease obligations	—	2,483	16,379
The present value of finance lease obligations is as follow:			
— Within 1 year	—	2,325	9,492
— Between 1 and 2 years	—	158	6,841
— Between 2 and 5 years	—	—	46
	—	2,483	16,379

29. TRADE AND OTHER PAYABLES

	Group			Company		
	2006	2007	2008	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	36,916	188,664	239,078	—	—	—
Accrual for operating expenses	2,020	16,666	6,348	1,920	1,325	1,155
Receipts in advance	792	22,118	36,516	—	—	—
Other payables	525	3,424	18,834	—	—	—
	40,253	230,872	300,776	1,920	1,325	1,155

The aging analysis of trade payables is as follows:

	Group		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
90 days or less	36,916	151,640	198,723
91 to 180 days	—	18,210	30,823
181 to 270 days	—	15,271	3,587
271 to 365 days	—	3,086	1,640
Over 365 days	—	457	4,305
	36,916	188,664	239,078

The carrying amounts of the trade payables are denominated in the following currencies:

	Group		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong dollar	36,916	689	1,350
US dollar	—	92,199	122,200
Renminbi	—	7,205	4,281
Japanese Yen	—	86,723	107,443
Euro	—	1,848	3,804
Total	36,916	188,664	239,078

30. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Forward foreign exchange contracts, carried at fair value	—	—	310

The total notional principal amount of the outstanding forward foreign exchange contracts at 31st March 2008 was approximately HK$14,968,000. At 31 March 2008, fixed exchange rates from US dollar to Renminbi ranged from 6.56 to 7.05.

31. DEFERRED SUBSCRIPTION PAYABLE

The balance represents remaining amount for the subscription of 100,000,000 non-redeemable convertible preferred share capital of Coland. The subscription price is payable by the Group in two equal instalments on 7th December 2006 and as may be required by Coland to finance its business plan in one or more payments or in any case on 7th December 2007.

The deferred consideration recognised in the balance sheet is calculated as follows:

	Group		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Deferred consideration *(Note 36(b))*	—	56,667	—
Less: Future interest	—	(3,317)	—
Add: Amortised interest expense	—	1,111	—
Deferred consideration	—	54,461	—
Less: Share of the jointly controlled entity's deferred receivable	—	(21,785)	—
	—	32,676	—

32. CONVERTIBLE BONDS — GROUP AND COMPANY

In August 2005, the Company issued convertible bonds at face value of approximately HK$20,000,000, which are denominated in Hong Kong dollar.

The bonds will mature in August 2010 or can be converted into a total of approximately 127,713,920 shares in the Company, with a par value of HK$0.01 each, at the holders' option, at HK$0.1566 per share. In addition, the holders have the right to request the Company to redeem in whole or in part the outstanding bonds on 7th December 2007.

The fair values of the liability component and the equity conversion component were determined upon issuance of the bonds. The liability component is subsequently stated at amortised cost. The fair value of the liability component was calculated using a market interest rate for a term loan offered to the Group of 8.0% per annum. The remaining amount, representing the value of the equity conversion component, is included in shareholders' equity as other reserves.

The convertible bonds recognised on the balance sheet is calculated as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Face value of convertible bonds issued on 8th August 2005	20,000	20,000	20,000
Equity component	(6,388)	(6,388)	(6,388)
Liability component on initial recognition on 8th August 2005	13,612	13,612	13,612
Accrued interest expenses	1,030	2,100	3,378
Liability component at 31st March	14,642	15,712	16,990

Interest expenses on the bonds are calculated using the effective interest method by applying the effective interest rate of 8.0% per annum to the liability component.

Accrued interest expenses recognised as expenses and included in finance costs during the Relevant Periods are as follows:

	For the year ended 31st March		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Finance costs *(Note 9)*	1,030	1,070	1,278

The carrying amounts of liability component of convertible bonds approximate their fair values.

33. DEFERRED TAX — GROUP

Deferred tax is calculated in full on temporary differences under the liability method using the applicable tax rates which is expected to apply at the time of reversal of the temporary difference.

The movements in net deferred tax assets/(liabilities) are as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
At the beginning of the year	—	—	(2,333)
Recognised on acquisition of subsidiaries and jointly controlled entities	—	(2,330)	—
Recognised in the income statement *(Note 10)*	—	(3)	14,766
At the end of the year	—	(2,333)	12,433
Representing:			
Deferred tax assets	—	—	12,444
Deferred tax liabilities	—	(2,333)	(11)
	—	(2,333)	12,433

The movements in deferred tax assets and (liabilities) (to be recovered/settled after 12 months) during the year without taking into consideration of the offsetting of balances within the same tax jurisdiction, are as follows:

	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1st April 2005, 31st March 2006 and 1st April 2006	—	—	—
Recognised on acquisition of subsidiaries and jointly controlled entities	(2,330)	—	(2,330)
Recognised as the income statement	(3)	—	(3)
At 31st March 2007 and 1st April 2007	(2,333)	—	(2,333)
Recognised in the income statement	543	14,223	14,766
At 31st March 2008	(1,790)	14,223	12,433

As at 31st March 2006, 2007 and 2008, the Group has unrecognised deferred tax assets of approximately HK$25,200,000, HK$31,467,000 and HK$34,103,000, primarily representing the tax effect of cumulative tax losses (subject to agreement by relevant tax authorities) which can be carried forward indefinitely.

34. OTHER NON-CURRENT LIABILITIES — GROUP

As at 31st March 2006, 2007 and 2008, included in the balance are provisions for employee benefits and reinstatement costs as follows:

	As at 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Provision for employee benefits	—	—	402
Provision for reinstatement costs	—	—	120
	—	—	522

35. CASH FLOW STATEMENT

(a) Cash used in operations

	For the year ended 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Operating loss	(15,406)	(13,122)	(98,235)
Depreciation of property, plant and equipment	373	2,017	6,716
Depreciation of investment properties	—	18	81
Amortisation of intangible assets	15	5,861	14,782
Amortisation of leasehold land and land use rights	—	60	374
Loss on disposal of property, plant and equipment	23	396	613
Gain on disposal of subsidiaries, net	(98)	—	—
Write-back of provision for claim	(2,977)	—	—
(Write-back of provision)/provision for inventories	—	(188)	28,776
Operating loss before working capital changes	(18,070)	(4,958)	(46,893)
Decrease/(increase) in inventories	56,961	(22,506)	(79,511)
Increase in deposits for purchase of inventories	(44,128)	—	—
Decrease/(increase) in trade and other receivables	9,990	47,357	(31,586)
Increase/(decrease) in trade and other payables	(11,072)	(31,792)	70,426
Exchange realignments	291	117	272
Net cash used in operations	(6,028)	(11,782)	(87,292)

(b) Profit on disposal of subsidiaries

Net assets disposed of:

	For the year ended 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	635	—	—
Long-term investment	780	—	—
Inventories	11,576	—	—
Deposits for purchase of inventories	71,515	—	—
Trade receivables	4,660	—	—
Cash and cash equivalents	11,042	—	—
Accounts and bills payable	(26,974)	—	—
Accruals and other payables	(55,743)	—	—
Receipts in advance	(12,740)	—	—
Taxation payable	(4,653)	—	—
Net assets	98	—	—
Total consideration	98	—	—
	—	—	—
Realisation of cumulative translation adjustment	98	—	—
Gain on disposal, net	98	—	—
Satisfied by:			
Other receivables *(Note)*	98	—	—
Cash	—	—	—
	98	—	—
Analysis of cash flows:			
Purchase consideration received in cash	—	—	—
Cash and cash equivalents disposed	(11,042)	—	—
Receipt of prior year receivable *(Note)*	1,536	—	—
	(9,506)	—	—

Note: The outstanding purchase consideration was included as other receivables and was settled subsequently.

36. BUSINESS COMBINATIONS

(a) Acquisition of subsidiary

On 3rd November 2006, the Group acquired 100% of the ordinary share capital of American Tec Company Limited and American Tec Electronic India Private Limited, companies trading in SMT assembly equipments, machinery and spare parts and provision of related installation, training, business promotion, repair and maintenance services. The acquired business contributed revenues of approximately HK$359,390,000 and net profit of approximately HK$21,127,000 to the Group for the period from 3rd November 2006 to 31st March 2007. If the acquisition had occurred on 1st April 2006, Group's revenue would have been approximately

HK$1,278,467,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1st April 2006, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

	2007
	HK$'000
Purchase consideration:	
— Cash paid	466,818
— Direct costs relating to the acquisition	11,502
Total purchase consideration	478,320
Fair value of net assets acquired — shown as below	(104,628)
Goodwill	373,692

The goodwill is attributable to the anticipated profitability of the acquired business and the anticipated future operating synergies from the combination.

The assets and liabilities as of 3rd November 2006 arising from the acquisition are as follows:

	Fair value	**Acquiree's carrying value**
	HK$'000	*HK$'000*
Cash and cash equivalents	15,786	15,786
Property, plant and equipment	17,739	20,228
Distribution agreement (included in intangible assets)	16,750	—
Customer relationships (included in intangible assets)	19,010	—
Non-compete agreements (included in intangible assets)	60	—
Inventories	96,415	96,415
Trade and bills receivables	140,227	140,227
Prepayments, deposits & other receivables	21,433	21,433
Borrowings	(32,543)	(32,543)
Trade and bills payables	(150,433)	(150,433)
Accruals and other payables	(25,497)	(25,497)
Receipts in advance	(6,010)	(6,010)
Current income tax liabilities	(5,979)	(5,979)
Deferred tax liabilities	(2,330)	(2,330)
Net assets acquired	104,628	71,297
Purchase consideration settled in cash		478,320
Cash and cash equivalents in subsidiary		(15,786)
Outstanding direct costs relating to the acquisition		(250)
Cash outflow on acquisition		462,284

(b) Subscription of 40% convertible preferred share capital

On 7th December 2006, the Group subscribed 100,000,000 non-redeemable convertible preferred share capital of Coland Group Limited, which principally engaged in the processing and sale of fish meal, refining and sale of fish oil, manufacturing and sale of aquatic feed products and trading of other raw materials relating to aquatic feeds. Upon full conversion of the preferred shares to ordinary shares, the Group will have 40% interest in Coland Group Limited, which is classified as a jointly controlled entity. The acquired business contributed revenues of approximately HK$101,503,000 and net profit of approximately HK$4,404,000 to the Group for the period from 7th December 2006 to 31st March 2007. If the acquisition had occurred on 1st April 2006, Group revenue would have been approximately HK$767,851,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the jointly controlled entity to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1st April 2006, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

	2007
	HK$'000
Purchase consideration:	
— Cash paid	86,666
— Deferred consideration *(Note 31)*	56,667
— Direct costs relating to the acquisition paid	6,337
Total purchase consideration	149,670
— Fair valuation of the subscription payable	(4,056)
Fair value of net assets acquired	
— shown as below	(139,043)
Goodwill	6,571

The goodwill is attributable to the anticipated profitability of the business and the anticipated future operating synergies between the two entities.

The assets and liabilities as of 7th December 2006 arising from the subscription are as follows:

	40% share of fair value *HK$'000*	**40% share of Acquiree's carrying value** *HK$'000*
Cash and cash equivalents	36,195	36,195
Pledged bank deposits	31,957	31,957
Leasehold land and land use rights	11,857	7,176
Property, plant and equipment	19,148	18,510
Investment property	2,200	1,609
Trademarks (included in intangible assets)	15,600	—
Non-compete agreement (included in intangible assets)	51	—
Customer base (included in intangible assets)	6,400	—
Trade and bills receivables	30,736	30,736
Prepayments, deposits & other receivables	32,465	32,465
Inventories	127,840	127,840
Trade & bills payables	(32,936)	(32,936)
Accruals & other payables	(9,945)	(9,945)
Current income tax liabilities	(8,545)	(8,545)
Borrowings	(123,980)	(123,980)
Net assets acquired	139,043	111,082
Purchase consideration paid		93,003
Cash and cash equivalents in jointly controlled entity		(36,195)
Share of subscription proceeds received by the jointly controlled entity		28,667
		85,475

There were no acquisitions for each of the years ended 31st March 2006 and 2008.

The subscription price is payable by the Group in two equal instalments on 7th December 2006 (date of completion) and as may be required by Coland Group Limited to finance its business plan in one or more payments or in any case on 7th December 2007.

The deferred consideration recognised in the balance sheet and its calculation is set out in Note 31 to the Financial Information.

The fair value of the deferred consideration was determined using a market interest rate of 6% per annum.

37. FINANCIAL GUARANTEES

The Company had provided guarantees with respect to banking facilities made available to its subsidiaries. The Company's directors and the Group's management anticipate that no material liabilities will arise from such guarantees which arose in the ordinary course of business. As at 31st March 2006, 2007 and 2008, the aggregated amount of these guarantees and corresponding outstanding bank borrowings are as follows:

	As at 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Aggregated amount of guarantees	—	295,712	265,363
Outstanding bank borrowing	—	52,760	74,419

38. BANKING FACILITIES

The Group had banking facilities from several banks for loans and trade financing. As at 31st March 2006, 2007 and 2008, the aggregated amount of these banking facilities and amount utilised by the Group are as follows:

	As at 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Aggregated amount of banking facilities	6,000	588,795	593,024
Amount utilised	—	161,516	193,346

These facilities were secured by:

	As at 31st March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Pledge of property, plant and equipment of the jointly controlled entities	—	5,200,000	3,910,000
Pledge of leasehold land and land use rights of the jointly controlled entities	—	6,975,000	4,549,000
Pledge of investment properties of the jointly controlled entities	—	2,206,000	2,288,000
Pledge of inventories of the jointly controlled entities held under trust receipts bank loan arrangements	—	23,439,000	16,967,000
Pledge of the bank deposits of the Group and jointly controlled entities	3,055,000	49,899,000	48,390,000
Discounted bills receivables with recourse of the Group and the jointly controlled entities	—	3,546,000	30,833,000
Corporate guarantee provided by the Company	6,600,000	295,712,000	265,363,000

39. COMMITMENTS

(a) Operating lease commitments

As at 31st March 2006, 2007 and 2008, the Group had rental commitments of approximately HK$1,841,000, HK$14,451,000 and HK$23,127,000 under various operating leases extending to May 2025.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	937	7,215	10,972
Later than one year and not later than five years	904	4,743	9,580
More than five years	—	2,493	2,575
	1,841	14,451	23,127

(b) Other commitments

The Group entered into an agreement with an independent third party to develop certain number of Burger King restaurants in Hong Kong and Macau within a period of 10 years ending on 31st March 2017. As at 31st March 2008, a Burger King restaurant was opened and has been operating.

40. RELATED PARTY TRANSACTIONS

As at 31st March 2006, 2007 and 2008, the Company was owned by North Asia Strategic Acquisition Corp. ("NASAC"), a company incorporated in the Cayman Islands, and Mr. Moses Tsang Kwok Tai and his related parties as to approximately 46.1% and 21.1% respectively. NASAC and Mr. Moses Tsang Kwok Tai acquired their interest in the Company effective from 9th August 2005. Ajia Partners Inc. is the controlling company of NASA which in turn controls 100% voting capital of NASAC.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) The following is a summary of the significant transactions carried out with related parties:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Name of related party/nature of transaction			
Ajia Partners (HK) Limited ("APHK") *(i)*			
— Rental expense charged to the Group	583	904	938
— Administrative services fee charged to the Group	598	979	996
NASA *(ii)*			
— Service fees charged to the Group	—	20,896	25,322
— Placing fees charged to the Group	7,800	—	4,814
Van Shung Chong Hong Limited *(iii)*			
— Purchases made by the Group	220,257	—	—
— Interest charged to the Group	1,154	—	—
— Administrative services fee charged to the Group	30	—	—
CFY Enterprises Limited *(iii)*			
— Rental expense charged to the Group	13	—	—
— Rates, management fees and utilities charged to the Group	9	—	—

Notes:

(i) APHK is a fellow subsidiary of NASAC and associated with Mr. Moses Tsang Kwok Tai.

The Group entered into two administrative services agreements with APHK, underwhich APHK has agreed to provide general administrative services to the Group during the period from 1st July 2006 to 30th June 2007 and from 1st July 2007 to 30th June 2008, at a monthly service fee of approximately HK$83,000. In addition, the Group entered into a lease agreement with APHK for leasing of office space from 9th August 2005 to 31st March 2008 at a monthly rental of approximately HK$75,000.

(ii) NASA is the holding company of NASAC which is a substantial shareholder of the Company.

The Group entered into services agreement with NASA, underwhich the Group has agreed to pay NASA (i) an annual service fee of 2% of aggregated subscription price less aggregate amount of salaries and other remuneration paid to certain employees of the Group for the provision of services in capital raising, research, investor sourcing, investment sourcing, investment analysis or due diligence and financial advisory service by NASA; and (ii) placing fee of 0.5% of the gross proceeds of placement of preference shares or any other equity or equity-linked securities of the Group arranged by NASA.

(iii) Van Shung Chong Hong Limited and CFY Enterprises Limited are wholly owned and controlled by Van Shung Chong (B.V.I.) Limited, a substantial shareholder of the Company as at 31st March 2006. The transactions were negotiated on mutually agreed and arm's length basis.

(b) Balances with subsidiaries

The balances with subsidiaries are unsecured, non-interest bearing and without pre-determined repayment terms, except for an amount due from a subsidiary as at 31st March 2008 of approximately HK$17,766,000 which bears interest at HIBOR plus 1% per annum.

(c) Issue of preference shares to related parties

During the year ended 31st March 2008, the Company entered into subscription agreements with North Asia Strategic Acquisition Corp. 2 ("NASAC 2") and North Asia Strategic Acquisition Corp. 3 ("NASAC 3") to issue 98,502,618 and 58,210,000 preference shares respectively at HK$0.191 per share with total proceed amounting to approximately HK$29,932,000. NASA controls 100% of the ordinary voting share capital of both NASAC 2 and NASAC 3.

(d) Key management compensation:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and allowances	3,843	6,404	8,375
Retirement benefits			
— defined contribution scheme	12	120	216
	3,855	6,524	8,591

41. SUBSEQUENT EVENTS

(a) On 30th April 2008, the Group entered into an agreement to purchase 33.74% equity interests in TKC, a joint stock corporation established under the laws of Korea, which is principally engaged in the business of manufacturing polyster fiber, PET resin and spandex, which are materials widely used in the textile and bottle manufacturing industry, at a consideration of approximately HK$390,000,000.

On 26th June 2008, the Group and SMG entered into a shareholders' agreement to regulate the respective shareholders' rights of the Group and SMG in TKC and to grant the Group certain options in relation to its investment in TKC.

(b) On 9th May 2008, the Group and Coland entered into an agreement, pursuant to which the Group will, subject to the terms of the agreement and on request by Coland, provide or procure the provision of one or more guarantee(s) in favour of lenders in respect of the loans made by Coland from these lenders. A guarantee fee in respect of the guarantee calculated at 0.5% per annum on the maximum principal amount of the payment obligations under the guarantee on the date of issue and subject to a maximum of HK$800,000 per annum would be payable by Coland to the issuer of the guarantee (or its nominee). The guarantee fee would be charged from the date when the guarantee is issued up to the date when the guarantee is discharged in full based on the actual number of days on which the guarantee is subsisting. The aggregate of principal covered by all guarantees shall not exceed HK$300,000,000.

II SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 31st March 2008 and up to the date of this report. No dividend has been declared, made or paid by the Company or any of the Group companies in respect of any period subsequant to 31st March 2008 and up to the date of this report.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong

1. STATEMENT OF INDEBTEDNESS

Borrowings and securities

As at the close of business on 22nd May 2008, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had the following outstanding borrowings:

	As at 22nd May 2008 *HK$' million*
Secured bank borrowings	
Trust receipt loans *(Notes (i) and (ii))*	88.1
Bank overdraft *(Note (i))*	1.9
	90.0
Unsecured borrowings	
Convertible Bonds	17.2
Finance lease obligations *(Note (iii))*	15.3
Total borrowings	122.5

The trust receipt loans, bank overdraft and finance lease obligations bore interest at rates ranging from approximately 2.1% to 5.5% per annum. The unsecured Convertible Bonds had a zero coupon rate, with a face value of HK$20 million.

Notes:

(i) These borrowings were secured by guarantee provided by the Company.

(ii) The trust receipt loans were secured by bills receivables of approximately HK$6.2 million.

(iii) Finance lease obligations of approximately HK$15.2 millions were secured by guarantee provided by the Company. The net book amount of property, plant and equipment held under finance lease as at 22nd May 2008 amounted to approximately HK$17.4 million.

The above statement is prepared solely for the purpose of strict compliance with the requirement under rule 19.66 of the GEM Listing Rules which does not include the indebtedness of the Group's jointly controlled entities which have been proportionately consolidated into the Group's financial statements according to its presently adopted accounting policies.

Contingent Liabilities

As at 22nd May 2008, the Group gave performance bonds and bid bonds to customers for due performance of the sales contracts amounting to approximately HK$0.4 million.

Disclaimer

Save as disclosed above and apart from intra-group liabilities, at the close of business on 22nd May 2008, the Group did not have any loan capital issued and outstanding or agreed to be issued, other debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills and payables) or acceptance credits, debentures, mortgages, charges, hire purchase or other finance lease commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 22nd May 2008 and up to the Latest Practicable Date.

2. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st March 2008, the date to which the latest published audited consolidated financial statements of the Group were made up.

3. WORKING CAPITAL

The Directors are of the opinion that taking into account the Group's internal resources, the presently available banking and other facilities, the receipt by the Company of the subscription monies from the placees under the issue of Preference Shares as announced on 2nd November 2007 and in the absence of unforeseen circumstances, the Group will have sufficient working capital for a period of 12 months from the date of this circular.

4. MANAGEMENT DISCUSSION AND ANALYSIS

The Acquisition was completed on 30th June 2008. Following Completion, TKC is owned as to 33.74% by the Group and is accounted for as a jointly controlled entity of the Group and 33.74% of the income and expenses, assets and liabilities of TKC shall be consolidated into the financial statements of the Group.

Should SMG exercise the SMG Call Option and result in disposal by NASS of 50% of its TKC Shares, the Group's interest in TKC will decrease from 33.74% to 16.87%. Accordingly, only 16.87% of the income and expenses, assets and liabilities of TKC will be consolidated into the financial statements of the Group. TKC will continue to be a jointly controlled entity of the Group and proportionate consolidation is used for the remaining interest. Management discussion and analysis of the business of TKC has been set out in the circular of the Group dated 13th June 2008.

Should the Company exercise the rights under the Non-conversion Put, the Non-listing Redemption, the NASS Put Options or the TKC Breach Redemption and dispose of all its interests in TKC, the Company will no longer have any interest in TKC. Set out below are the management discussion and analysis of the existing business of the Group extracted from the annual reports of the Company for the years ended 31st March 2006, 2007 and 2008:

For the year ended 31st March 2006

Financial and Business Performance

For the year ended 31st March 2006, the Group recorded a turnover of approximately HK$360 million, representing a 58.1% decrease from that in last financial year. There were two major reasons for the decrease. Firstly, the PRC Central Government continued to deploy a package of macro-entrenchment policies during the financial year to limit excessive investments in several overheated industries, including the steel, real estate development sector, aluminum, automobile and cement industries, which in turn hampered the growth in demand for steel usage. Secondly, the PRC Ministry of Finance and the State Administration of Taxation abolished the export tax rebate of steel semi-finished materials on 1st April 2005 and adjusted the export tax rebate of 20 steel products from 13% to 11%. This had restrained the export of interrelated semi-finished steel and steel products and intensified the domestic competition. Since supply exceeded demand in PRC for some popular steel products, the steel prices dropped significantly from first quarter to third quarter and only started picking up from fourth quarter in the current year, resulting in drop in turnover and a reduction in gross profit margin from 3.6% in last financial year to 1.6% in current financial year.

For the year under review, the Group recorded a loss attributable to shareholders of approximately HK$11,988,000, an approximately 14.8% increase from last financial year's loss figure of approximately HK$10,443,000. This was mainly attributable to additional general and administrative expenses and interest expenses totaling approximately HK$16.2 million and HK$1 million incurred by Group after the change of the controlling shareholders on 9th August 2005 in the current financial year. Discounting the effect of these additional general and administrative expenses and interest expenses, the Group achieved an operating profit of approximately HK$1.1

million and profit of approximately HK$3.8 million from its principal activities of steel trading and procurement services in the current financial year, as compared to an operating loss of approximately HK$352,000 (after excluding the gain on disposal of investments, net of approximately HK$911,000) and net loss of approximately HK$10,443,000 in last financial year. The profit of approximately HK$3.8 million generated from the core steel trading operation in current financial year was mainly due to the write-back of overprovided taxation of approximately HK$5 million resulting mainly from the divestment of certain subsidiaries. Discounting the effect of this write-back of over-provided taxation, the Group recorded a net loss of approximately HK$1,177,000 from its principal activities of steel trading and procurement services, an approximately 89% decline from last financial year's net loss of approximately HK$10,443,000.

Under such difficult environment, the management had put substantial efforts in resources re-alignment to steel products that yield a higher return, resulting in some unnecessary administrative costs being eliminated and they had imposed strict control over spending in selling expenses. The result of these efforts could be evidenced from the facts that, despite the decrease in turnover, the ratio of selling and distribution expenses to turnover and general and administrative expenses to turnover decreased from 0.87% and 2.9% respectively in last financial year to 0.6% and 1.7% respectively in current financial year.

During the year, the Group relied substantially on one of its shareholders — Van Shung Chong Holdings Limited ("VSC") (Stock Code: 1001) together with its subsidiaries ("the VSC Group") on the supply of steel products for trading by leveraging off the VSC Group's aggregate purchasing power. All previously approved continuing connected transactions with the VSC Group under this context were expired on 31st March 2006 and the Group has ceased sourcing steel products from the VSC Group for trading since then because the Group has started to focus on trading of higher margin stainless steel products supplied by independent third party suppliers subsequent to 31st March 2006.

Liquidity and Financial Resources

As at 31st March 2006, the Group had bank and cash balance of approximately HK$295,902,000 (2005: HK$29,343,000), of which approximately HK$3,055,000 (2005: HK$16,080,000) was pledged to secure a trade financing facility of HK$6,000,000 (2005: HK$88,125,000) granted by a bank to a subsidiary for trust receipt loans. This banking facility was also secured by a corporate guarantee provided by the Company. For the Group's cash and bank balance of HK$295,902,000 as at 31st March 2006, approximately HK$174,000 was denominated in RMB and deposited with the banks in the PRC.

As at 31st March 2006, the Group had convertible bonds of approximately HK$14,642,000 from the Ajia Parties (2005: Nil) and no bank borrowings (2005: HK$24,360,000). The gearing ratio (sum of bank borrowings and convertible bonds divided by shareholders' equity) of the Group was 0.01 as at 31st March 2006, as compared to 11.4 as at 31st March 2005.

In addition to the above banking facility, the Group also relied substantively on the VSC Group during the current financing year to enjoy more favorable terms from the steel mills. As at 31st March 2006, the Group had outstanding balance due to the VSC Group of approximately HK$36,916,000 (2005: HK$118,843,000). VSC Group has granted to the Group a normal credit period.

Significant Investments Held and Material Acquisition and Disposals of Investments and Subsidiaries

As at 31st March 2006, the Group had no significant investments. There were no material acquisitions or disposals of investments and subsidiaries during the year.

Foreign Currency Exposure

The Group's businesses were primarily transacted in HK$, US$ and RMB. The Group's cash and bank deposits, including pledged bank deposit, were mainly denominated in HK$. The foreign currency exposure of the Group is mainly driven by its business operations. Sales receipts were collected in RMB and US$. On the other hand, the steel products purchases were mainly denominated in US$ and RMB. With a comparatively immaterial fluctuation in exchange rates between US$ with RMB, the Group considers the foreign currency exposure was minimal for the year under review. The Group will continue to monitor closely the exchange rate between US$ and RMB and will make necessary hedging arrangements to mitigate the risk arising from foreign currency fluctuation in the future.

Contingent Liabilities

As at 31st March 2006, the Group provided a corporate guarantee of HK$6,600,000 to a bank in respect of a banking facility granted to a subsidiary (2005: HK$88,725,000).

Number of Employees, Remuneration Policies and Share Option Scheme

As at 31st March 2006, the Group employed 11 (2005: 42) staff. Salaries and annual bonuses are determined according to positions and performance of the employees. Remuneration policies are reviewed annually by the management and remuneration packages are structured to take into account the comparable level of the market. The

Group provides on-the-job training and training subsidies to its employees in addition to pension schemes and medical insurance. Total staff costs including contribution to retirement benefit schemes incurred during the year under review amounted to approximately HK$6,139,000 (2005: HK$9,416,000).

For the year ended 31st March 2007

Finance and Business Performance

For the year ended 31st March 2007, the Group recorded a turnover of approximately HK$559,327,000, representing a 55.3% increase from that in last year. This turnover was not all generated from its steel trading activities as in last year. Due to the completion of the Group's investments in American Tec Company Limited ("Amtec") and American Tec Electronic India Private Limited (formerly known as Autron India Private Limited, collectively the "Amtec Group") and Coland Group Limited ("Coland") in early November and December 2006 respectively, their post-acquisition operating results were consolidated into the Group's accounts since the third quarter. During the year, the Group recorded turnover of approximately HK$394,023,000 from its surface mount technology assembly equipments trading operation, of which approximately HK$359,390,000 was generated by Amtec Group after the Group's acquisition on 3rd November 2006. During the year, Amtec Group recorded a net profit of approximately HK$21,127,000. The Group also recorded a net profit of approximately HK$4,404,000 on turnover of approximately HK$101,503,000 from its 40% jointly controlled investment in Coland since early December 2006. During the year, the Group's steel trading operation recorded a net loss of approximately HK$554,000 on turnover of approximately HK$63,801,000, which was less than last year's net loss of approximately HK$1,177,000 (before write-back of overprovided taxation of approximately HK$5,000,000 resulting mainly from divestments of certain subsidiaries) and last year's turnover of approximately HK$360,000,000 respectively. Such decrease was mainly due to the high nickel price volatility, which is a major material for making stainless steel and continuous deployment of macro-economic management policies by the PRC government to limit excessive investments in several overheated industries including steel and real estate sector.

During the year, the Group recorded a net profit attributable to equity holders of approximately HK$66,747,000, versus net loss of approximately HK$11,988,000 for last year. The significant increase in net profit for the year was mainly due to recognition of interest income of approximately HK$73,693,000 related to the subscription receivables from the Company's preference shareholders in accordance with Hong Kong Accounting Standard 39. Excluding this interest income, the Group had a net loss of approximately HK$6,946,000 for the year. This was mainly because although the Group had aggregate post-acquisition net profit of approximately HK$25,531,000 from Amtec Group and Coland and earned bank interest income of approximately

HK$13,917,000 in the year, these were more than offset by the service fees of approximately HK$20,896,000 paid by the Company to NASA pursuant to a service agreement dated 26th September 2005 (as amended and restated on 30th December 2005) between them, amortization expenses of intangible assets totaling approximately HK$5,855,000 arising from the investments in Amtec Group and Coland, and other operating expenses of approximately HK$21,201,000 recorded by the Company's headquarter during the year.

Liquidity and Financial Resources

As at 31st March 2007, the Group had bank and cash balance of approximately HK$491,452,000 (2006: HK$295,902,000), of which approximately HK$49,899,000 (2006: HK$3,055,000) was pledged to secure trade financing facilities of approximately HK$588,795,000 (2006: HK$6,000,000) granted by banks to its Group companies for trust receipts loans, mortgage loans and bank borrowings. These banking facilities were also secured by (a) corporate guarantees provided by the Company, (b) the Group's inventories held under trust receipts bank loan arrangement, (c) buildings, (d) investment properties and (e) prepaid lease payments. For the Group's cash and bank balance of approximately HK$491,452,000 as at 31st March 2007, approximately HK$51,008,000 was denominated in RMB and deposited with the banks in the PRC.

As at 31st March 2007, the Group had convertible bonds of approximately HK$15,712,000 (2006: HK$14,642,000) and borrowings of approximately HK$163,999,000 (2006: Nil). The gearing ratio (sum of borrowings and convertible bonds divided by shareholders' equity) of the Group was 0.15 as at 31st March 2007, as compared to 0.01 as at 31st March 2006.

Significant Investments Held and Material Acquisition and Disposals of Investments and Subsidiaries

As at 31st March 2007, the Group had no significant investments. Apart from the investments in the Amtec Group and Coland, there were no other material acquisitions or disposals of investments and subsidiaries during the year.

Foreign Currency Exposure

The Group's businesses were primarily transacted in HK$, US$, Japanese Yen ("Yen") and RMB. The Group's cash and bank deposits, including pledged bank deposit, were mainly denominated in HK$. The foreign currency exposure of the Group is mainly driven by its business operations. Sales receipts were collected in US$. On the other hand, the steel products, surface mount technology equipments, fishmeal and fish oil purchases were mainly denominated in US$, Yen and RMB. With a comparatively immaterial fluctuation in exchange rates between US$ with RMB and with Yen, the Group considers the foreign currency exposure was minimal for the year under review. The Group will continue to monitor closely the exchange rate between US$ and Yen and RMB and will make necessary hedging arrangements to mitigate the risk arising from foreign currency fluctuation in the future.

Contingent Liabilities

As at 31st March 2007, the Company had provided guarantees of approximately HK$295,712,000 (2006: HK$6,600,000) with respect to banking facilities made available to its subsidiaries.

Number of Employees and Remuneration Policies

As at 31st March 2007, the Group employed 437 (2006: 11) staff. Salaries and annual bonuses are determined according to positions and performance of the employees. Remuneration policies are reviewed annually by the management and remuneration packages are structured to take into account the comparable level of the market. The Group provides on-the-job training and training subsidies to its employees in addition to pension schemes and medical insurance. Total staff costs including contribution to retirement benefit schemes incurred during the year under review amounted to approximately HK$23,559,000 (2006: HK$6,139,000).

For the year ended 31st March 2008

Finance and Business Performance

For the year ended 31st March 2008, the Group recorded a consolidated revenue of approximately HK$1,269,676,000, representing a 127.0% increase from that in last year. The significant increase in revenue was mainly due to the full year effect of the consolidation of the operating results of Amtec Group and Coland in current year. The profit/loss figures of each business division disclosed below do not include any intra-group charges, as they are eliminated upon consolidation.

As Amtec Group and Coland were invested by the Company in late 2006, their post-acquisition operating results for approximately 5 months and 4 months respectively were consolidated into the Group's financial statements in last year. During the year, the Group recorded a full year revenue of approximately HK$841,626,000 from Amtec Group, an increase of approximately 113.6% over the last year's aggregate revenue of approximately HK$394,024,000 from Amtec Group (being HK$359,390,000) and Upward Move Limited (being HK$34,634,000), a wholly-owned subsidiary of the Company which traded-in some surface mount technology ("SMT") assembly equipment before the acquisition of Amtec Group. In current year, Amtec Group recorded a loss of approximately HK$37,483,000, versus a profit of HK$21,127,000 in last year. This was mainly due to (i) net exchange losses of approximately HK$20,854,000, including realised exchange loss of approximately HK$16,035,000 and unrealised exchange loss of approximately HK$4,819,000 arising from the translation of monetary assets and liabilities denominated in Yen and US$ at exchange rate prevailing at 31st March 2008, resulting mainly from its failure to match its payments for purchases against its sale receipts in Yen in the first 9 months of current year; (ii) write-down of old inventories by approximately HK$22,449,000; (iii) a change in customer mix in current year which resulted in a drop of gross profit margin of approximately 9.5% as compared to last year; (iv) write-off of trade receivables of approximately HK$1,262,000; and (v) loss on disposal of old demo machines totaling approximately HK$2,518,000. We have also analysed the financial performance of Amtec Group after discounting the effect of these significant non-recurring adjustments already included in current year's audited financial statements as follows:

(i) Discounting the exchange loss, impairment loss on inventories and loss on disposal of old demo machines totaling approximately HK$45,821,000, the profit of the SMT trading division conducted through Amtec Group for the year was approximately HK$8,338,000 and the drop of its gross profit margin was approximately 6.8% as compared to last year, which was mainly due to the change in customer mix in current year.

(ii) Discounting the write-down of old inventories of approximately HK$22,449,000 included in cost of sales in the fourth quarter of current year, the Amtec Group's gross profit margin had shown an increasing trend from quarter to quarter in current year and its gross profit margin for the fourth quarter exceeded that of the first quarter by approximately 4.6%. This was mainly due to strict control over gross profit margin taken by the Company's management since September 2007.

To manage the foreign exchange exposure in the next fiscal year, Amtec has started to match a much higher portion of its sales receipts against its payments for purchases in Yen since the beginning of the fourth quarter in current year to minimise its exchange rate exposure.

For our 40% jointly controlled fishmeal and fish oil trading and processing operation conducted through Coland, the Company shared a full year profit of approximately HK$4,239,000 on revenue of approximately HK$418,499,000 in current year, versus a post-acquisition profit of approximately HK$4,404,000 on revenue of approximately HK$101,503,000 for approximately 4 months in last year. Supply of fishmeal exceeded market demand in current year due to (i) unexpected weather pattern in the PRC which delayed the purchases of fishmeal by customers; and (ii) epidemic diseases in pigs in the PRC. As a result, an excess inventory built up that caused drastic drop of the market price of fishmeal and Coland's gross profit margin in current year.

For our quick services restaurant division, which was set up in mid-March 2007 and opened its first Burger King restaurant in Tsim Sha Tsui on 20th December 2007, it recorded a loss of approximately HK$8,061,000 on revenue of approximately HK$5,038,000, versus a loss of approximately HK$91,000 on nil revenue in last year. The first restaurant had operation for approximately 3 months in current year and its gross profit was more than offset by this division's full year operating expenses, resulting in a loss for the current year.

During the year, the Group's steel trading operation recorded a loss of approximately HK$2,232,000 on revenue of approximately HK$4,514,000, versus last year's loss and revenue of approximately HK$553,000 and HK$63,801,000 respectively. As the division continued to make loss, the Group ceased its operation after August 2007.

Above all, the Group recorded a consolidated loss of approximately HK$72,590,000 in current year, versus a profit of approximately HK$66,747,000 for last year. Discounting the interest income related to the subscription receivables from the Company's preference shareholders of approximately HK$22,168,000 and HK$73,693,000 recognised by the Group respectively in current year and last year, the Group had a loss of approximately HK$94,758,000 and HK$6,946,000 respectively for current and last year. The significant increase of the consolidated loss by approximately HK$87,812,000 in current year was mainly due to:

(i) increase of Amtec Group's loss by approximately HK$58,610,000 to HK$37,483,000 in current year from last year's post-acquisition profit of approximately HK$21,127,000;

(ii) increase of amortisation expenses of intangible assets arising from the acquisition of Amtec Group and Coland by approximately HK$8,719,000 in current year due to full year effect of amortisation expenses totaling approximately HK$14,580,000 versus amortisation expenses of approximately HK$5,861,000 for a post-acquisition period of approximately 4 to 5 months in last year;

(iii) increase of loss from our quick services restaurant division by approximately HK$7,970,000 to HK$8,061,000 from last year's loss of approximately HK$91,000 due to the consolidation of its full year results in current year;

(iv) increase of service fees paid by the Company to NASA pursuant to a services agreement dated 26th September 2005 (as amended and restated on 30th December 2005) between them by approximately HK$4,426,000 to HK$25,322,000 from approximately HK$20,896,000 in last year due to the completion of the Second Round Placement for a total of approximately HK$992,700,000 before expenses on 31st December 2007;

(v) increase in other operating expenses of the Company headquarter by approximately HK$4,717,000 to HK$22,239,000, compared to approximately HK$17,522,000 in last year, due to increase of 4 headcounts and professional fees; and

(vi) increase of loss of the discontinued steel trading division by approximately HK$1,679,000 in current year.

Liquidity and Financial Resources

As at 31st March 2008, the Group had cash and bank balance of approximately HK$674,493,000 (2007: HK$491,452,000), of which approximately HK$48,390,000 (2007: HK$49,899,000) was pledged to secure trade financing facilities of approximately HK$593,024,000 (2007: HK$588,795,000) granted by banks to its Group companies for trust receipts loans, mortgage loans and bank borrowings. These banking facilities were also secured by (a) corporate guarantees provided by the Company, (b) the Group's inventories held under trust receipts bank loan arrangement, (c) buildings, (d) investment properties, and (e) prepaid lease payments. For the Group's cash and bank balance of approximately HK$674,493,000 as at 31st March 2008, approximately HK$62,586,000 was denominated in RMB and deposited with the banks in the PRC.

As at 31st March 2008, the Group had convertible bonds at carrying fair values of approximately HK$16,990,000 (2007: HK$15,712,000) and borrowings of approximately HK$193,174,000 (2007: 163,999,000). The gearing ratio (sum of borrowings and convertible bonds divided by shareholders' equity) of the Group was 0.10 as at 31st March 2008, as compared to 0.15 as at 31st March 2007.

Significant Investments Held and Material Acquisition and Disposals of Investments and Subsidiaries

As at 31st March 2008, the Group had no significant investments. There were no other material acquisitions or disposals of investments and subsidiaries during the year.

Foreign Currency Exposure

The Group's businesses were primarily transacted in HK$, US$, Yen and RMB. The Group's cash and bank deposits, including pledged bank deposit, were mainly denominated in HK$. The foreign currency exposure of the Group is mainly driven by its business operations. Sales receipts were collected in US$. On the other hand, SMT assembly equipment, fishmeal and fish oil purchases were mainly denominated in US$, Yen and RMB. Given the fluctuation in exchange rates between US$ with RMB and with Yen, the Group has started to match a much higher portion of its sales receipts against its payments for purchases in Yen since January 2008. The Group will continue to monitor closely the exchange rate between US$ and Yen and RMB and will make necessary hedging arrangements to mitigate the risk arising from foreign currency fluctuation in the future.

Contingent Liabilities

As at 31st March 2008, the Company had provided guarantees of approximately HK$265,363,000 (2007: HK$295,712,000) with respect to banking facilities made available to its subsidiaries.

Number of Employees and Remuneration Policies

As at 31st March 2008, the Group employed 528 (2007: 437) staff. Salaries and annual bonuses are determined according to positions and performance of the employees. Remuneration policies are reviewed annually by the management and remuneration packages are structured to take into account the comparable level of the market. The Group provides on-the-job training and training subsidies to its employees in addition to pension schemes and medical insurance. Total staff costs including contribution to retirement benefit schemes incurred for the current year amounted to approximately HK$60,161,000 (2007: HK$23,559,000).

5. OUTLOOK

The Group expects that the sharp increase of crude oil price, the high inflation rate, the slow down of the United States economy after the subprime crisis in late 2007 and the credit squeeze in the PRC since December 2007 to control the overheated economy, will make the Group's surface mount technology customers more cautious of their capital investment plan in the next fiscal year and they will demand for more efficient and higher quality surface mount technology equipment and services. The Group is confident that Amtec Group will continue to benefit from the strong economic growth and increasing capital formation in the PRC and India if it can continue to maintain its leading position as a total solution service provider in the surface mount technology industry in the PRC and India. To turn around in the next fiscal year, the Group has started to strengthen its sales and servicing teams, diversify its customer mix and actively explore diversification of its product portfolio. The Group will also continue to monitor closely the Amtec Group's exchange rate exposure and will make necessary hedging arrangements to mitigate the risk arising from foreign currency fluctuation in the future.

In regard to the Group's jointly-controlled fishmeal and fish oil trading and processing division conducted through Coland, the Group expects that it will continue to benefit from the strong demand for aquaculture in the PRC. As disclosed previously, Coland decided on expanding into other downstream businesses. The joint venture formed between Coland and Nosan Corporation, a company listed on Tokyo and Osaka stock exchanges, in June 2007 to produce and sell premium feed has started operation since August 2007. The construction of Coland's seafood processing and feed factories in Wuhan of the PRC had started in late December 2007 and the Group targets to start its operation in late 2008. These business lines will help strengthening Coland's revenue stream and improving Coland's profitability in the future.

In regard to the Group's quick services restaurant division, the Group intends to open at least five more restaurants, primarily in the business districts, shopping areas and tourists spots in Hong Kong shortly. The Group will continue to monitor the operation of this division closely to achieve profitability at restaurant level in the next fiscal year.

The Group will continue to seek new sizable investment opportunities in the acquisition of strategic, possible controlling, stakes in profitable companies in North Asia with strong cash flow in growth sectors such as the consumer, industrial, technology, media and telecommunications businesses, where the Group's competencies can deliver greater value to its Shareholders.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

21st July 2008

The Directors
North Asia Strategic Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of the Group set out on pages 122 to 139 in Appendix III to the circular dated 21st July 2008 (the "Circular") issued by North Asia Strategic Holdings Limited (the "Company", and together with its subsidiaries are referred to as the "Group"), in connection with possible very substantial disposals and major transaction of the Company. The Unaudited Pro Forma Financial Information which has been prepared by the directors for illustrative purposes only, to provide information to shareholders about: (1) how the grant of the SMG Call Option (as defined in the Circular) would result in the possible disposal of 50% equity interest held by the Group in its 33.74% interest in TK Chemical Holdings Co., Ltd. ("TKC"); (2) how the exercise of the rights under Non-conversion Put, the Non-listing Redemption, the NASS Put Option and the TKC Breach Redemption (all as defined in the Circular) would each result in the possible 100% disposal of the Group's interest in TKC; and (3) how the exercise right under the Refinancing Option (as defined in the Circular), might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the section headed "Unaudited Pro Forma Financial Information" in Appendix III to the Circular.

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 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong

Kong Limited (the "GEM 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 7.31(7) of the GEM 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 (HKSIR) 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 does 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 purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements 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 Group as at the dates indicated therein or at any future dates; or

— the financial results and the cash flows of the Group for the year ended 31st March 2007 or any future periods.

OPINION

In our opinion:

(i) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(ii) such basis is consistent with the accounting policies of the Group; and

(iii) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 7.31(1) of the GEM Listing Rule.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

(I) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

A. Unaudited pro forma balance sheet of the Remaining Group

The following is an illustrative and unaudited pro forma balance sheet of the Remaining Group which is prepared based on the unaudited pro forma balance sheet of the Enlarged Group (being the Group together with 33.74% interest in TKC) as at 30th September 2007 as extracted from the circular of the Company dated 13th June 2008, after giving the effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the financial position of the Remaining Group due to the grant of SMG Call Option by the Group to SMG to which SMG has the right to purchase up to 50% of the TKC Shares held by the Group.

As the unaudited pro forma balance sheet is prepared for illustrative purpose assuming the Completion took place as at the balance sheet date on 30th September 2007, it may not give a true picture of the financial position of the Group as at the date to which is made up to or at any future dates.

	The Group as enlarged by the 33.74% equity interest in TKC as at 30th September 2007	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Unaudited pro forma of the Remaining Group
		(Note 1)	*(Note 2)*	*(Note 3)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	737,969	—	—	(340,688)	397,281
Investment properties	2,229	—	—	—	2,229
Leasehold land and land use right	18,714	—	—	—	18,714
Intangible assets	694,365	2,586	16,282	(151,334)	561,899
Deferred tax assets	3,433	—	—	—	3,433
Investment and other financial assets	7,281	—	—	(3,641)	3,640
Subscription receivables	291,383	—	—	—	291,383
Available-for-sale financial assets	3,256	—	—	—	3,256
Total non-current assets	1,758,630				1,281,835
Current assets					
Inventories	367,475	—	—	(30,823)	336,652
Trade receivables	318,478	—	—	(65,745)	252,733
Prepayments, deposits and other receivables	26,137	—	—	(2,959)	23,178
Non-current assets held for sale	17,151	—	—	(8,576)	8,575
Finance lease receivables	2,781	—	—	—	2,781
Pledged bank deposits	47,732	—	—	—	47,732
Cash and cash equivalents	42,267	—	—	157,972	200,239
Total current assets	822,021				871,890

	The Group as enlarged by the 33.74% equity interest in TKC as at 30th September 2007	Pro forma adjustment *(Note 1)*	Pro forma adjustment *(Note 2)*	Pro forma adjustment *(Note 3)*	Unaudited pro forma of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities					
Borrowings	697,414	—	—	(253,823)	443,591
Trade payables	457,048	—	—	(104,816)	352,232
Accruals and other payables	99,004	2,586	—	(29,449)	72,141
Receipts in advance	11,687	—	—	—	11,687
Current income tax liabilities	14,085	—	—	—	14,085
Derivative financial instruments	191	—	—	—	191
Total current liabilities	1,279,429				893,927
Net current liabilities	(457,408)				(22,037)
Total assets less current liabilities	1,301,222				1,259,798
Non-current liabilities					
Borrowings	6,748	—	—	—	6,748
Convertible bonds	16,351	—	—	—	16,351
Deferred tax liabilities	1,454	—	—	—	1,454
Employment benefit liability	69,764	—	—	(34,882)	34,882
Call option liability	—	—	16,282	(16,282)	—
Total non-current liabilities	94,317				59,435
Net assets	1,206,905				1,200,363

	The Group as enlarged by the 33.74% equity interest in TKC as at 30th September 2007	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Unaudited pro forma of the Remaining Group
		(Note 1)	*(Note 2)*	*(Note 3)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Equity					
Capital and reserves attributable to equity holders of the Company:					
Share capital	82,718	—	—	—	82,718
Reserves	1,122,562	—	—	(6,542)	1,116,020
	1,205,280				1,198,738
Minority interests	1,625	—	—	—	1,625
Shareholders' equity	1,206,905				1,200,363

B. Unaudited pro forma income statement of the Remaining Group

The following is an illustrative and unaudited pro forma income statement of the Remaining Group which is prepared based on the unaudited pro forma income statement of the Enlarged Group for the year ended 31st March 2007 as extracted from the circular of the Company dated 13th June 2008, after giving the effect to the pro forma adjustment as explained in the note below, for the purpose of illustrating the effect of the results of the Remaining Group due to the grant of SMG Call Option by the Group to SMG to which SMG has the right to purchase up to 50% of the TKC Shares held by the Group.

As the unaudited pro forma income statement is prepared for illustrative purpose assuming the 50% disposal in the Group's interest in TKC Shares had been completed on 1st April 2006, it may not give a true picture of the results of the Group for the financial period in respect of which it is made up or for any future financial periods.

	The Group as enlarged by the 33.74% equity interest in TKC for the year ended 31st March 2007	**Pro forma adjustment**	**Unaudited pro forma of the Remaining Group**
		(Note 3)	
	HK$'000	*HK$'000*	*HK$'000*
Revenue	2,576,639	(1,008,656)	1,567,983
Cost of sales	(2,251,961)	884,994	(1,366,967)
Gross profit	324,678		201,016
Other gains — net	8,451	14,894	23,345
Selling and distribution expenses	(78,657)	29,116	(49,541)
General and administrative expenses	(99,440)	11,857	(87,583)
Other expenses	(9,629)	(18,009)	(27,638)
Finance income	91,837	(908)	90,929
Finance costs	(22,827)	7,832	(14,995)
Profit before income tax	214,413		135,533
Income tax expense	(2,989)	—	(2,989)
Profit attributable to equity holders of the Company	211,424		132,544
Dividends	—		—

C. Unaudited pro forma cash flow statement of the Remaining Group

The following is an illustrative and unaudited pro forma cash flow statement of the Remaining Group which is prepared based on the unaudited pro forma cash flow statement of the Enlarged Group for the year ended 31st March 2007 as extracted from the circular of the Company dated 13th June 2008, after giving the effect to the pro forma adjustment as explained in the note below, for the purpose of illustrating the effect on the cash flows of the Remaining Group due to the grant of SMG Call Option by the Group to SMG to which SMG has the right to purchase up to 50% of the TKC Shares held by the Group.

As the unaudited pro forma cash flow statement is prepared for illustrative purpose assuming the 50% disposal in the Group's interest in TKC Shares had been completed on 1st April 2006, it may not give a true picture of the cash flow of the Group for the financial period in respect of which it is made up or for any future financial periods.

	The Group as enlarged by the 33.74% equity interest in TKC for the year ended 31st March 2007	Pro forma adjustment	Unaudited pro forma of the Remaining Group
		(Note 3)	
	HK$'000	*HK$'000*	*HK$'000*
Cash flow from operating activities			
Profit before income tax	214,413	(78,880)	135,533
Finance income	(91,837)	908	(90,929)
Finance costs	22,827	(7,832)	14,995
Depreciation of property, plant and equipment	58,796	(28,389)	30,407
Depreciation of investment property	18	—	18
Amortisation of intangible assets	5,873	(6)	5,867
Amortisation of leasehold land and land use right	60	—	60
Loss/(gain) on disposal of property, plant and equipment	(375)	385	10
Loss on partial disposal of a jointly controlled entity	—	22,824	22,824
Write-back of provision for inventories	(344)	78	(266)
Severance and retirement benefit, net	3,393	(1,696)	1,697
Loss on disposal of non-current assets held for sale	1,937	(969)	968
Gain on exercise of a call option	—	(16,282)	(16,282)

	The Group as enlarged by the 33.74% equity interest in TKC for the year ended 31st March 2007	Pro forma adjustment *(Note 3)*	Unaudited pro forma of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*
Operating profit before working capital changes	214,761		104,902
Increase in inventories	(35,092)	6,293	(28,799)
Decrease/(increase) in trade receivables	(34,945)	38,366	3,421
Decrease in prepayments, deposits and other receivables	12,599	(3,515)	9,084
Decrease in trade payables	(65,743)	17,061	(48,682)
Decrease in accruals and other payables	(17,588)	1,051	(16,537)
Increase in receipts in advance	15,316	—	15,316
Increase in deferred subscription payables	32,676	—	32,676
Translation adjustments	(2,749)	1,988	(761)
Cash generated from operations	119,235		70,620
Interest paid	(6,093)	—	(6,093)
Mainland China enterprise income tax paid	(922)	—	(922)
Net cash inflow from operating activities	112,220		63,605
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(462,284)	—	(462,284)
Increase in investment in a jointly controlled entity, net of cash and cash equivalents acquired	(463,568)	—	(463,568)
Proceeds from partial disposal of a jointly controlled entity, net of cash and cash equivalents disposed	—	189,046	189,046
Additions of property, plant and equipment	(24,269)	10,809	(13,460)
Proceeds from disposal of property, plant and equipment	5,921	(596)	5,325

	The Group as enlarged by the 33.74% equity interest in TKC for the year ended 31st March 2007	Pro forma adjustment	Unaudited pro forma of the Remaining Group
		(Note 3)	
	HK$'000	*HK$'000*	*HK$'000*
Interest received	17,932	(802)	17,130
Increase in pledged bank deposits	(14,887)	—	(14,887)
Increase in investments and other financial assets	(3,521)	1,761	(1,760)
Additions of non-current assets held for sale	(5,583)	2,792	(2,791)
Proceeds from disposal of non-current assets held for sale	1,009	(505)	504
Net cash used in investing activities	(949,250)		(746,745)
Cash flow from financing activities			
Issue of preference shares	93,120	—	93,120
Receipt of subscription receivables	578,102	—	578,102
Share issue expenses	(741)	—	(741)
New short-term bank loans	427,231	(52,278)	374,953
Repayment of short-term bank loans	(416,690)	50,745	(365,945)
Interest paid	(12,676)	6,338	(6,338)
Net cash generated from financing activities	668,346		673,151
Net decrease in cash and bank balances	(168,684)		(9,989)
Cash and bank balances at beginning of the year	292,847	—	292,847
Cash and bank balances at end of year	124,163	158,695	282,858

Notes:

1. The adjustment represents the increase in goodwill amounting to HK$2,586,000 resulted from additional estimated direct legal and professional costs related to the Acquisition for, among others, the preparation and execution of the Shareholders' Agreement.

2. The fair value of the SMG Call Option, which was entered in connection to the Acquisition, amounted to KRW2,087 million (approximately HK$16,282,000). The fair value of the SMG Call Option was calculated using Black Scholes pricing model with reference to the entry price of KRW18,523 per TKC Share (approximately HK$144.48 per TKC Share) and exercise price calculated based on the original purchase price of KRW18,523 per TKC Share plus a yield of 30% per annum (inclusive of dividends received). Assuming the Qualified Offering will occur in 1.5 years, the risk free rate of 5.499% was used. Taking into consideration of the daily historical volatility of comparable companies engaging in similar business listed in Korea Stock Exchange, and adjusted factors specific for TKC, volatility was assumed to be at 47%. The actual fair value of the SMG Call Option, which will be calculated at date of Completion, may be different to the amount presented above because the possible change in various variables including market interest rate and the timing of Qualified Offering. As the SMG Call Option represents a part of the Shareholders' Agreement, the fair value of the call option is considered a portion of the consideration and is debited to goodwill.

3. The adjustment represents the disposal of 50% of the 33.74% equity interest in TKC held by the Group as a result of the exercise in full in SMG Call Option by SMG. The exercise price is the original purchase price of KRW18,523 per TKC Share plus a yield of 30% compound per annum. Given the assumption that the Completion took place on 30th September 2007 for the financial position of the Group and on 1st April 2006 for the results and cash flows of the Group which is the same date as the completion date of the acquisition of the 33.74% equity interest in TKC, the exercise price is KRW25 billion, or HK$195 million (as calculated by KRW18,523 per TKC Share multiply by 50% of 2,699,347 TKC Shares purchased).

   The 16.87% (50% of 33.74% equity interest held by the Group) net asset value of TKC as at the date of Completion, amounted to approximately HK$66 million (as extracted from Appendix III of the circular of the Company dated 13th June 2008). The reversal of goodwill on acquisition upon disposal of 50% of the 33.74% equity interest in TKC approximates to HK$151,329,000, as calculated by 50% of goodwill recognised from acquisition amounting to HK$267,507,000 (as extracted from Appendix III of the circular of the Company dated 13th June 2008) and HK$2,586,000 (as recognised in Note 1) adding the reversal of goodwill arising from SMG Call Option of HK$16,282,000 (as recognised in Note 2). Intangible assets, which include goodwill, reduced by HK$151,334,000 consisted of: (1) the reversal of goodwill approximates to HK$151,329,000 as mentioned above; and (2) the reduction of proportionate consolidation of TKC to 16.87% in intangible assets of approximately HK$5,000.

   Taking into consideration 50% of the legal and professional fee of HK$10,498,000 (as extracted from Appendix III of the circular of the Company dated 13th June 2008) and HK$2,586,000 (as recognised in Note 1) as well as the SMG Call Options of HK$16,282,000 (as recognised in Note 2), the loss on disposal approximates to HK$22,824,000 and is recognised in "Other expenses" in the income statement. At the same time, as the SMG Call Option is exercised, the corresponding call option liability recognised in Note 2 above is credited to the income statement as "Other gains — net" upon the exercise of SMG Call Option. After taking into account the loss on disposal of HK$22,824,000 and the gain recognised from the exercise of SMG Call Option of HK$16,282,000, the reserves reduced by approximately HK$6,542,000 accordingly.

   Although the disposal of 50% interest in the Group's 33.74% interest in TKC would result in only 16.87% interest in TKC held by the Group, TKC continued to be a jointly controlled entity of the Group. As such, proportionate consolidation is used for the remaining interest in TKC.

(II) UNAUDITED PRO FORMA FINANCIAL INFORMATION IN RELATION TO THE REMAINING GROUP

A. Unaudited pro forma balance sheet of the Remaining Group

The following is an illustrative and unaudited pro forma balance sheet of the Remaining Group which is prepared based on the unaudited pro forma balance sheet of the Enlarged Group as at 30th September 2007 as extracted from the circular of the Company dated 13th June 2008, after giving the effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the financial position of the Remaining Group due to either the exercise of the rights under Non-conversion Put, the Non-listing Redemption, the NASS Put Option, or the TKC Breach Redemption, where each will result in disposal of 100% interest of the TKC Shares held by the Group.

As the unaudited pro forma balance sheet is prepared for illustrative purpose assuming the Completion took place as at the balance sheet date on 30th September 2007, it may not give a true picture of the financial position of the Group as at the date to which is made up to or at any future dates.

	The Group as enlarged by the 33.74% equity interest in TKC as at 30th September 2007	Pro forma adjustment *(Note 1)*	Pro forma adjustment *(Note 2)*	Unaudited pro forma of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	737,969	—	(681,376)	56,593
Investment properties	2,229	—	—	2,229
Leasehold land and land use right	18,714	—	—	18,714
Intangible assets	694,365	2,586	(270,104)	426,847
Deferred tax assets	3,433	—	—	3,433
Investment and other financial assets	7,281	—	(7,281)	—
Subscription receivables	291,383	—	—	291,383
Available-for-sale financial assets	3,256	—	—	3,256
Total non-current assets	1,758,630			802,455

	The Group as enlarged by the 33.74% equity interest in TKC as at 30th September 2007	Pro forma adjustment	Pro forma adjustment	Unaudited pro forma of the Remaining Group
		(Note 1)	*(Note 2)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets				
Inventories	367,475	—	(61,645)	305,830
Trade receivables	318,478	—	(131,489)	186,989
Prepayments, deposits and other receivables	26,137	—	(5,918)	20,219
Non-current asset held for sale	17,151	—	(17,151)	—
Finance lease receivables	2,781	—	—	2,781
Pledged bank deposits	47,732	—	—	47,732
Cash and cash equivalents	42,267	—	315,942	358,209
Total current assets	822,021			921,760
Current liabilities				
Borrowings	697,414	—	(507,646)	189,768
Trade payables	457,048	—	(209,631)	247,417
Accruals and other payables	99,004	2,586	(58,897)	42,693
Receipts in advance	11,687	—	—	11,687
Current income tax liabilities	14,085	—	—	14,085
Derivative financial instruments	191	—	—	191
Total current liabilities	1,279,429			505,841
Net current (liabilities)/assets	(457,408)			415,919
Total assets less current liabilities	1,301,222			1,218,374

	The Group as enlarged by the 33.74% equity interest in TKC as at 30th September 2007	Pro forma adjustment *(Note 1)*	Pro forma adjustment *(Note 2)*	Unaudited pro forma of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Borrowings	6,748	—	—	6,748
Convertible bonds	16,351	—	—	16,351
Deferred tax liabilities	1,454	—	—	1,454
Employment benefit liability	69,764	—	(69,764)	—
Total non-current liabilities	94,317			24,553
Net assets	1,206,905			1,193,821
Equity				
Capital and reserves attributable to equity holders of the Company:				
Share capital	82,718	—	—	82,718
Reserves	1,122,562	—	(13,084)	1,109,478
	1,205,280			1,192,196
Minority interests	1,625	—	—	1,625
Shareholders' equity	1,206,905			1,193,821

B. Unaudited pro forma income statement of the Remaining Group

The following is an illustrative and unaudited pro forma income statement of the Remaining Group which is prepared based on the unaudited pro forma income statement of the Enlarged Group for the year ended 31st March 2007 as extracted from the circular of the Company dated 13th June 2008, after giving the effect to the pro forma adjustment as explained in the note below, for the purpose of illustrating the effect of the results of the Remaining Group due to either the exercise of the rights under Non-conversion Put, the Non-listing Redemption, the NASS Put Option, or the TKC Breach Redemption, where each will result in disposal of 100% interest of the TKC Shares held by the Group.

As the unaudited pro forma income statement is prepared for illustrative purpose assuming the 100% disposal in the Group's interest in TKC Shares had been completed on 1st April 2006, it may not give a true picture of the results of the Group for the financial period in respect of which it is made up or for any future financial periods.

	The Group as enlarged by the 33.74% equity interest in TKC for the year ended 31st March 2007	**Pro forma adjustment** *(Note 2)*	**Unaudited pro forma of the Remaining Group**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	2,576,639	(2,017,312)	559,327
Cost of sales	(2,251,961)	1,769,987	(481,974)
Gross profit	324,678		77,353
Other gains — net	8,451	(2,775)	5,676
Selling and distribution expenses	(78,657)	58,232	(20,425)
General and administrative expenses	(99,440)	23,714	(75,726)
Other expenses	(9,629)	(3,455)	(13,084)
Finance income	91,837	(1,816)	90,021
Finance costs	(22,827)	15,664	(7,163)
Profit before income tax	214,413		56,652
Income tax expense	(2,989)	—	(2,989)
Profit attributable to equity holders of the Company	211,424		53,663
Dividends	—		—

C. Unaudited pro forma cash flow statement of the Remaining Group

The following is an illustrative and unaudited pro forma cash flow statement of the Remaining Group which is prepared based on the unaudited pro forma cash flow statement of the Enlarged Group for the year ended 31st March 2007 as extracted from the circular of the Company dated 13th June 2008, after giving the effect to the pro forma adjustment as explained in the note below, for the purpose of illustrating the effect of the cash flows of the Remaining Group due to either the exercise of the rights under Non-conversion Put, the Non-listing Redemption, the NASS Put Option, or the TKC Breach Redemption, where each will result in disposal of 100% interest of the TKC Shares held by the Group.

As the unaudited pro forma cash flow statement is prepared for illustrative purpose assuming the 100% disposal in the Group's interest in TKC Shares had been completed on 1st April 2006, it may not give a true picture of the cash flow of the Group for the financial period in respect of which it is made up or for any future financial periods.

	The Group as enlarged by the 33.74% equity interest in TKC for the year ended 31st March 2007	**Pro forma adjustment** *(Note 2)*	**Unaudited pro forma of the Remaining Group**
	HK$'000	*HK$'000*	*HK$'000*
Cash flow from operating activities			
Profit before income tax	214,413	(157,761)	56,652
Finance income	(91,837)	1,816	(90,021)
Finance costs	22,827	(15,664)	7,163
Depreciation of property, plant and equipment	58,796	(56,779)	2,017
Depreciation of investment property	18	—	18
Amortisation of intangible assets	5,873	(12)	5,861
Amortisation of leasehold land and land use right	60	—	60
Loss/(gain) on disposal of property, plant and equipment	(375)	771	396
Loss on disposal of a jointly controlled entity	—	13,084	13,084
Write-back of provision for inventories	(344)	156	(188)
Severance and retirement benefit, net	3,393	(3,393)	—
Loss on disposal of non-current assets held for sale	1,937	(1,937)	—

	The Group as enlarged by the 33.74% equity interest in TKC for the year ended 31st March 2007	Pro forma adjustment (Note 2)	Unaudited pro forma of the Remaining Group
	HK$'000	HK$'000	HK$'000
Operating profit/(loss) before working capital changes	214,761		(4,958)
Increase in inventories	(35,092)	12,586	(22,506)
Decrease/(increase) in trade receivables	(34,945)	76,732	41,787
Decrease in prepayments, deposits and other receivables	12,599	(7,029)	5,570
Decrease in trade payables	(65,743)	34,122	(31,621)
Decrease in accruals and other payables	(17,588)	2,101	(15,487)
Increase in receipts in advance	15,316	—	15,316
Increase in deferred subscription payables	32,676	—	32,676
Translation adjustments	(2,749)	3,977	1,228
Cash generated from operations	119,235		22,005
Interest paid	(6,093)	—	(6,093)
Mainland China enterprise income tax paid	(922)	—	(922)
Net cash inflow from operating activities	112,220		14,990
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(462,284)	—	(462,284)
Increase in investment in a jointly controlled entity, net of cash and cash equivalents acquired	(463,568)	—	(463,568)
Proceeds from disposal of a jointly controlled entity, net of cash and cash equivalents disposed	—	378,093	378,093
Additions of property, plant and equipment	(24,269)	21,617	(2,652)
Proceeds from disposal of property, plant and equipment	5,921	(1,192)	4,729
Interest received	17,932	(1,604)	16,328
Increase in pledged bank deposits	(14,887)	—	(14,887)
Increase in investments and other financial assets	(3,521)	3,521	—
Additions of non-current assets held for sale	(5,583)	5,583	—
Proceeds from disposal of non-current assets held for sale	1,009	(1,009)	—
Net cash used in investing activities	(949,250)		(544,241)

	The Group as enlarged by the 33.74% equity interest in TKC for the year ended 31st March 2007	Pro forma adjustment	Unaudited pro forma of the Remaining Group
		(Note 2)	
	HK$'000	*HK$'000*	*HK$'000*
Cash flow from financing activities			
Issue of preference shares	93,120	—	93,120
Receipt of subscription receivables	578,102	—	578,102
Share issue expenses	(741)	—	(741)
New short-term bank loans	427,231	(104,555)	322,676
Repayment of short-term bank loans	(416,690)	101,490	(315,200)
Interest paid	(12,676)	12,676	—
Net cash generated from financing activities	668,346		677,957
Net (decrease)/increase in cash and bank balances	(168,684)		148,706
Cash and bank balances at beginning of the year	292,847	—	292,847
Cash and bank balances at end of year	124,163	317,390	441,553

Notes:

1. The adjustment represents the increase in goodwill amounting to HK$2,586,000 resulted from additional estimated direct legal and professional costs related to the Acquisition for, among others, the preparation and execution of the Shareholders' Agreement.

2. The adjustment represents the disposal of the Group's entire 33.74% interest in TKC as a result of the exercise of either: (1) the right under Non-conversion Put; (2) the Non-listing Redemption; (3) the NASS Put Options; or (4) TKC Breach Redemption. For each of the event above, the exercise price equal to the original purchase price of KRW18,523 per TKC Share plus a yield ranging from 20.5% to 30% compound per annum. Given the assumption that the Completion took place on on 30th September 2007 for the financial position of the Group and on 1st April 2006 for the results and cash flows of the Group which is the same date as the completion date of the acquisition of the 33.74% interest in TKC, the exercise price is KRW50 billion, or HK$390 million (as calculated by KRW18,523 per TKC Share multiply by 2,699,347 TKC Shares purchased).

   The 33.74% net asset value of TKC as at the date of Completion amounted to approximately HK$133 million (as extracted from Appendix III of the circular of the Company dated 13th June 2008). After taking into consideration the goodwill on acquisition of TKC (including the additional goodwill recognised amounting to HK$2,586,000 in Note 1 above), the loss on disposal approximates to HK$13,084,000 which is recognised in "Other expenses" in the income statement.

(III) UNAUDITED PRO FORMA FINANCIAL INFORMATION IN RELATION TO THE REFINANCING OPTION

A. Unaudited pro forma balance sheet of the Group

The following is an illustrative and unaudited pro forma balance sheet of the Group which is prepared based on the audited balance sheet of the Group as at 31st March 2008 as extracted from the published annual report of the Company dated 19th June 2008, after giving the effect to the pro forma adjustment as explained in the note below, for the purpose of illustrating the effect of the financial position as a result of exercising the right under Refinancing Option by the Group.

As the unaudited pro forma balance sheet is prepared for illustrative purpose assuming the Refinancing Option was exercised as at the balance sheet date on 31st March 2008, it may not give a true picture of the financial position of the Group as at the date to which is made up to or at any future dates.

	The Group as at 31st March 2008	**Pro forma adjustment** *(Note 1)*	**Unaudited pro forma of the Group**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	64,606	—	64,606
Investment properties	2,288	—	2,288
Leasehold land and land use right	19,235	—	19,235
Intangible assets	419,647	—	419,647
Available-for-sale financial assets	3,481	—	3,481
Non-current deposits	3,307	—	3,307
Deferred tax assets	12,444	—	12,444
Loan receivable	—	468,000	468,000
Total non-current assets	525,008		993,008
Current assets			
Inventories	314,345	—	314,345
Trade and other receivables	196,038	—	196,038
Subscription receivables	940,429	—	940,429
Current tax recoverable	342	—	342
Pledged bank deposits	48,390	—	48,390
Cash and cash equivalents	626,103	(468,000)	158,103
Total current assets	2,125,647		1,657,647
Total assets	2,650,655		2,650,655

	The Group as at 31st March 2008 *HK$'000*	Pro forma adjustment *(Note 1)* *HK$'000*	Unaudited pro forma of the Group *HK$'000*
Equity			
Capital and reserves attributable to equity holders of the Company:			
Share capital	134,691	—	134,691
Reserves	1,995,965	—	1,995,965
	2,130,656		2,130,656
Minority interests	1,676	—	1,676
Total equity	2,132,332		2,132,332
Current liabilities			
Borrowings	182,836	—	182,836
Trade and other payables	300,776	—	300,776
Derivative financial instruments	310	—	310
Current income tax liabilities	6,540	—	6,540
Total current liabilities	490,462		490,462
Non-current liabilities			
Borrowings	10,338	—	10,338
Convertible bonds	16,990	—	16,990
Deferred tax liabilities	11	—	11
Other non-current liabilities	522	—	522
Total non-current liabilities	27,861		27,861
Total liabilities	518,323		518,323
Total equity and liabilities	2,650,655		2,650,655
Net current assets	1,635,185		1,167,185
Total assets less current liabilities	2,160,193		2,160,193

Note:

1. The adjustment represents the Group refinanced the entire outstanding SMG Loans amounting to KRW60 billion or HK$468 million. No interest income, as calculated by 10% per annum plus the Group's cost of fundings, is recognised because the Group's financial position is stated at the same date as the exercise date of the Refinancing Option.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this circular is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Göran Sture Malm, Chairman, aged 61, joined the Company in August 2005. Mr. Malm is the chairman of Boathouse Limited, an investment company, and Children's Medical Foundation, Hong Kong, a charity originated in the United States. He also serves as a director of various companies in China, Hong Kong, Japan, Korea, Singapore and Sweden, including Samsung Electronics in Korea. Prior to joining Boathouse Limited in 2000, Mr. Malm was the president of Dell Asia Pacific, senior vice president of Dell Computer Corporation, senior vice president of General Electric (GE) Company, president of General Electric Asia Pacific, president and chief executive officer of GE Medical Systems Asia Ltd. and vice president of General Electric (GE) Company. Mr. Malm holds a Bachelor degree in Economics and Business Administration from the Gothenburg School of Business, Economics and Law in Sweden. For 2005-2006, Mr. Malm was assigned as visiting professor in Applied Management at the same Business School. Mr. Malm is a member of the nomination committee of the Company.

Mr. Henry Kim Cho, Deputy Chairman, aged 43, joined the Company in August 2005. Mr. Cho is a co-founder and managing partner of API and companies controlled by it ("Ajia Partners Group"). He focuses primarily on investor/partner relations and activities for the real estate and special situations groups of the Ajia Partners Group. Prior to founding the Ajia Partners Group, he was a principal at Bank of America, N.A. Prior to Bank of America, N.A., Mr. Cho was with HSBC Markets (Asia) Limited in Hong Kong. He received his Bachelor degree in Economics and International Relations from Brown University and a Master of Business Administration degree from the Wharton School, University of Pennsylvania.

Mr. Savio Chow Sing Nam, Chief Executive Officer, aged 51, joined the Company in August 2005. Mr. Chow is the lead partner for the special situations group of the Ajia Partners Group. Prior to joining the Ajia Partners Group, Mr. Chow served as a consultant at E.M. Warburg Pincus & Co. Asia Ltd. He has had about 20 years experience in the information technology industry both in the United States and Asia Pacific. He was the managing director of Yahoo! Inc. responsible for Asia. Prior to joining Yahoo! Inc., Mr. Chow held various senior management positions at Netscape Communications Corporation, Lotus Development Corporation and International Business Machines Corporation. He holds a Master of Science degree in Engineering and a Master of Business Administration degree from the University of California at Berkeley. Mr. Chow is a member of the remuneration committee and the compliance officer of the Company.

Non-executive Directors

Mr. Andrew Yao Cho Fai, J.P., aged 42, has been with the Company since the formal establishment of the trading operation in April 1997. He graduated from the University of California, Berkeley and Harvard Graduate School of Business. Mr. Yao has extensive experience in the steel trading business and is the chairman and chief executive officer of Van Shung Chong Holdings Limited ("VSC"). Mr. Yao is also an independent non-executive director of Grand Investment International Limited and Kader Holdings Company Limited which are companies listed on the Main Board of the Stock Exchange. He serves as a member of Standing Committee of the Shanghai Municipal Committee of Chinese People's Political Consultative Conference, the member of the Standing Committee of China Youth Federation, the vice chairman of Youth Federation of States Owned Enterprises, the member of Central Policy Unit of Hong Kong, the chairman of Hong Kong United Youth Association, the vice chairman of Shanghai Youth Federation, the member of Board of Shanghai Fudan University, the member of the University Court of The University of Hong Kong, the Alumni Board of Harvard Business School, the founder of Shanghai Chapter of Youth Presidents' Organisation (YPO) and the member of the Barristers Disciplinary Tribunal Panel. He was also the winner of the Young Industrialist Award of Hongkong in 2004.

Mr. Takeshi Kadota, aged 61, joined the Company in September 2007. Mr. Kadota has been engaged for more than 20 years in various capital market activities, including private equity investments. Mr. Kadota is currently retained to provide advisory services by Ajia Partners (Hong Kong) Limited. Prior to his retirement from Mitsubishi Corporation, Mr. Kadota acted as a senior vice president and division chief operating officer of its Financial Services Division which included private equity, real estate, M&A and venture capital. Mr. Kadota also served as president and chief executive officer of Mitsubishi Corporation Capital Ltd. Prior to this post, he served as a managing director of Mitsubishi Corporation Finance PLC, a Euro-based financial subsidiary of Mitsubishi Corporation. Mr. Kadota is a visiting professor and lecturer in the field of business administration in the Interdisciplinary Graduate School of Science and Engineering, Tokyo Institute of Technology. He received his Bachelor degree in Laws from University of Tokyo and a Master degree in Business Administration from Stanford Graduate School of Business. Mr. Kadota is a member of the remuneration committee of the Company.

Independent Non-executive Directors

Mr. Philip Ma King Huen, aged 52, joined the Company in March 2000. Mr. Ma is the group managing director of The Sincere Company, Limited, a listed company on the Main Board of the Stock Exchange. Mr. Ma was the chairman of the Hong Kong Retail Management Association from 1996 to 2000 and is very active in the community service. He holds a Master degree in Business Administration from McMaster University in Canada. Mr. Ma is a member of the audit committee and nomination committee of the Company.

Mr. Kenny Tam King Ching, aged 59, joined the Company in September 2004. He is a practicing Certified Public Accountant in Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Tam is serving as a member of the Ethics Committee and Practice Review Committee in the Hong Kong Institute of Certified Public Accountants. He is also a past president of The Society of Chinese Accountants and Auditors. Mr. Tam also serves as an independent non-executive director of six companies listed on the Main Board of the Stock Exchange, namely, CCT Telecom Holdings Limited, Kingmaker Footwear Holdings Limited, Shougang Concord Grand (Group) Limited, Starlite Holdings Limited, Yun Sky Chemical (International) Holdings Limited and VSC. Mr. Tam is a member of the audit committee, remuneration committee and nomination committee of the Company.

Mr. Edgar Kwan Chi Ping, **J.P.**, aged 58, joined the Company in August 2005. Mr. Kwan, a civil engineer, has over 30 years of local and international experience in engineering, construction and project management. He is a deputy managing director of SOCAM Asset Management (HK) Limited ("SOCAM"). Prior to SOCAM, he was an executive director and chief operating officer of Paul Y. Engineering Group Limited, a company listed on the Main Board of the Stock Exchange. He holds both Bachelor and Master degrees in Civil Engineering from the University of Hong Kong and a Master degree in Business Administration from the Chinese University of Hong Kong. His major public services include a member of Fight Crime Committee, a member of Appeal Board on Public Meetings and Processions, an adjudicator of the Registration of Persons Tribunal, vice president of the Hong Kong Construction Association, a member of the Construction Industry Council, a director of Real Estate Developers' Association, a member of the Engineers Registration Board and the Appeal Tribunal (Building) of the Planning and Lands Bureau. He had also served as the chairman of the Construction Industry Training Authority and the member of a number of public bodies including the Independent Police Complaints Council, the Broadcasting Authority Complaints Committee and the Codes of Practice Committee. Mr. Kwan is a member of the audit committee and remuneration committee of the Company.

Mr. Yu Wang Tak, aged 52, joined the Company in November 2007. Mr. Yu is the chairman of AsiaSoft Company Limited ("AsiaSoft"). Prior to AsiaSoft, Mr. Yu worked for Sun Microsystems, Inc. ("Sun") for 22 years, with the last executive position as the president of Sun for Greater China. Mr. Yu had also worked in various leadership positions of Sun, including the head of finance of Worldwide Field Operations. Prior to joining Sun in 1985, Mr. Yu held a variety of management positions for various companies, such as Apple Computer and Ford Motor Company. Since 2000 for six years, Mr. Yu served as the board of directors of the Hong Kong Applied Science & Technology Research Institute Company Limited. He was both the founder and driver of Sun's Sunshine Education Charitable Fund. He was a certified internal auditor and received his Bachelor of Science and Master of Business Administration degrees from University of California, Berkeley. Mr. Yu is a member of the audit committee and remuneration committee of the Company.

Senior Management

Mr. Tsui Kin Kau, Chief Operating Officer, aged 51, joined the Company in January 2008. He was retained to provide consultancy services to the Company and its member companies since April 2006. Mr. Tsui was the vice president of Medtronic, Inc. and general manager of Greater China at Medtronic Asia Pacific. Prior to this role, Mr. Tsui held numerous top executive positions at Medtronic in the Asia Pacific region including Japan. Before joining Medtronic, Mr. Tsui was the vice president of GE Medical Systems China responsible for technology, manufacturing, quality and administration for the GE Medical Systems China group. Concurrently, Mr. Tsui was the general manager of GE Hangwei Medical Systems, a global manufacturing and engineering hub for GE CT Scanners and GE's first joint venture in China. During his 16 year tenure with GE Medical Systems, he helped the building of various businesses in Asia. Mr. Tsui holds a Master degree in Business Administration from University of Hull.

Ms. Grace Luk Pui Yin, Chief Financial Officer, aged 43, joined the Company in August 2005. Ms. Luk was the director and financial controller of Kleinwort Benson China Management Limited, the investment manager of the London-listed China Investment & Development Fund. This Fund invested in 12 joint ventures with substantial manufacturing operations in China and completed divestment of its portfolio before 2003. She was also the vice president of Dresdner Kleinwort Capital, the private equity arm of Dresdner Bank. She has over 10 years of private equity experience in the Greater China region. Prior to Kleinwort Benson, Ms. Luk was the department head of the category financial management department at Colgate-Palmolive (H.K.) Limited and was an auditor at Arthur Andersen & Co in Hong Kong. She received her Bachelor degree in Business Administration from the Chinese University of Hong Kong. She is a fellow of the UK Association of Chartered Certified Accountants, an associate of both the UK Chartered Institute of Management Accountants and the Hong Kong Institute of Certified Public Accountants. Ms. Luk is the qualified accountant of the Company.

The business address of the Directors and senior management is 78th Floor, The Center, 99 Queen's Road Central, Hong Kong.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors, were as follows:

Long positions in the shares and underlying shares[(a)] of the Company

(a) The underlying shares referred to in note 2 arise as a result of the conversion rights attaching to the Preference Shares. The Preference Shares shall be automatically converted into Shares, credited as fully paid, at the conversion ratio of one Preference Share for one Share in accordance with the terms of the Preference Shares.

(b) The approximate percentage of shareholdings set out below is based on 95,794,716 Shares in issue as at the Latest Practicable Date, not on the total number of issued Shares upon full conversion of the Preference Shares and the Convertible Bonds.

Name of Director	Capacity	Number of Shares held	Number of underlying shares held	Total	Approximate % of shareholdings[(b)]	*Note*
Mr. Yao	Interest of controlled corporation	4,255,789	—	4,255,789	4.44%	*1*
Mr. Cho	Interest of controlled corporation	—	99,106,003	99,106,003	103.46%	*2*

Notes:

1. These interests represented:

   (i) a deemed interest in 1,598,113 shares of the Company owned by Huge Top Industrial Ltd. ("Huge Top"). Mr. Yao directly holds approximately 11.91% and indirectly through Perfect Capital International Corp. ("Perfect Capital") owns approximately 42.86% of the issued share capital of Huge Top. Mr. Yao owns the entire issued share capital of Perfect Capital and is one of the two directors of Huge Top. Accordingly, Mr. Yao was deemed, under the SFO, to have an interest in these shares of the Company held by Huge Top;

   (ii) a deemed interest in 1,633,676 shares of the Company owned by TN Development Limited ("TN"). Van Shung Chong (B.V.I.) Limited ("VSC BVI") owns 54% of the issued share capital of TN and Mr. Yao owns 10% of the issued share capital of TN. Mr. Yao is one of the two directors of TN. VSC BVI is a wholly-owned subsidiary of VSC of which Huge Top owns approximately 45.59%. Accordingly, Mr. Yao was deemed, under the SFO, to have an interest in these shares of the Company held by TN; and

   (iii) an interest in 1,024,000 shares of the Company owned by Right Action Offshore Inc. ("Right Action"). Mr. Yao owns the entire issued share capital of Right Action and is also the sole director of that company.

2. These underlying shares were held by Timeless, a company controlled by Mr. Cho through Kenthomas Company Limited. Accordingly, Mr. Cho was taken to be interested in these underlying shares under the SFO by virtue of his interests in Timeless which was interested in 99,106,003 underlying shares. These underlying shares were the same underlying shares referred to in note 23 under (b) below.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they were deemed or taken to have under such provisions of the SFO, or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors of listed companies to be notified to the Company and the Stock Exchange.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company whose interests were disclosed above) had interests or short positions in the shares and/or underlying shares of the

Company which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and/or were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group together with particulars of any options in respect of such capital:

Long positions in the shares and underlying shares[c] of the Company

(c) The underlying shares referred to in the following table (other than those referred to in notes 1 and 4 below) arise as a result of the conversion rights attaching to the Preference Shares. The Preference Shares shall be automatically converted into Shares, credited as fully paid, at the conversion ratio of one Preference Share for one Share in accordance with the terms of the Preference Shares. Those underlying shares referred in notes 1 and 4 below arise as a result of the conversion of the Convertible Bonds.

(d) The approximate percentage of shareholdings set out below is based on 95,794,716 Shares in issue as at the Latest Practicable Date, not on the total number of issued shares upon full conversion of the Preference Shares and the Convertible Bonds.

Substantial shareholders (interests related to ordinary shareholders)

Name	Capacity	Number of Shares held	Number of underlying shares held	Total	Approximate % of shareholdings[d]	*Note*
Mr. Tsang	Beneficial owner	19,693,486	39,386,973	59,080,459	61.68%	*1*
	Interest of controlled corporation	509,400	—	509,400	0.53%	*2*
	Interest of a discretionary trust	—	148,659,004	148,659,004	155.18%	*3*
				208,248,863	217.39%	
NASAC	Beneficial owner	44,163,474	88,326,947	132,490,421	138.31%	*4*
NASA	Interest of controlled corporation	44,163,474	245,039,565	289,203,039	301.90%	*4, 5, 24 & 30*
API	Interest of controlled corporation	44,163,474	245,039,565	289,203,039	301.90%	*4 to 6, 24 & 30*

Substantial shareholders (interests related to preference shareholders)

Name	Capacity	Number of Shares held	Number of underlying shares held	Total	Approximate % of shareholdings[(d)]	*Note*
The Goldman Sachs Group, Inc.	Interest of controlled corporation	—	2,477,650,064	2,477,650,064	2,586.42%	*7*
National Nominees Limited (“NNL”)	Nominee	—	2,041,884,817	2,041,884,817	2,131.52%	*8*
Military Superannuation and Benefits Board of Trustees No 1	Trustee	—	2,041,884,817	2,041,884,817	2,131.52%	*8*
ABN AMRO Asset Management Holding N.V.	Beneficial owner	—	1,238,825,032	1,238,825,032	1,293.21%	
C.L Davids Fond og Samling	Beneficial owner	—	1,061,780,105	1,061,780,105	1,108.39%	
Woori Bank (“Woori”)	Beneficial owner	—	792,848,020	792,848,020	827.65%	*9*
Woori Finance Holdings Co., Ltd.	Interest of controlled corporation	—	792,848,020	792,848,020	827.65%	*9*
United Overseas Bank Limited	Beneficial owner	—	743,295,019	743,295,019	775.92%	
J.T. International Asset Management Corp.	Beneficial owner	—	542,344,186	542,344,186	566.15%	
Oikos Asia Fund (“Oikos”)	Beneficial owner	—	495,530,013	495,530,013	517.28%	*10*
Realdania	Beneficial owner	—	408,376,963	408,376,963	426.30%	
Banca Monte Dei Paschi Di Siena Spa	Beneficial owner	—	247,765,006	247,765,006	258.64%	

Name	Capacity	Number of Shares held	Number of underlying shares held	Total	Approximate % of shareholdings[(d)]	*Note*
Grand Loyal (China) Limited ("Grand Loyal")	Nominee	—	247,765,006	247,765,006	258.64%	*11*
Mr. Ho Yiu Wing	Interest of controlled corporation	—	247,765,006	247,765,006	258.64%	*11*
Grand Partners Group Limited ("Grand Partners")	Nominee	—	247,765,006	247,765,006	258.64%	*12*
Mr. William Doo Wai Hoi	Interest of controlled corporation	—	247,765,006	247,765,006	258.64%	*12*
Mozart Verwaltungsgesellschaft mbH ("Mozart")	Beneficial owner	—	204,188,482	204,188,482	213.15%	*13*
Dr. Thomas Helmut Jetter	Interest of controlled corporation	—	204,188,482	204,188,482	213.15%	*13*
Bankpension	Beneficial owner	—	204,188,482	204,188,482	213.15%	
Fubon Bank (Hong Kong) Limited	Beneficial owner	—	199,233,717	199,233,717	207.98%	
Chevalier International Holdings Limited ("Chevalier")	Beneficial owner	—	198,212,005	198,212,005	206.91%	*14*
Mr. Chow Yei Ching	Interest of controlled corporation	—	198,212,005	198,212,005	206.91%	*14*
Ms. Miyakawa Michiko	Family interest	—	198,212,005	198,212,005	206.91%	*14*
K.B. (C.I.) Nominees Limited ("KBCI")	Beneficial owner	—	182,524,084	182,524,084	190.54%	*15*
Frank Nominees Limited ("Frank")	Beneficial owner	—	104,495,497	104,495,497	109.08%	*16*

Name	Capacity	Number of Shares held	Number of underlying shares held	Total	Approximate % of shareholdings[(d)]	Note
Kleinwort Benson ("KB")	Interest of controlled corporation	—	287,019,581	287,019,581	299.62%	*15 & 16*
Asia Internet Capital Ventures LP ("AICV")	Beneficial owner	—	148,659,004	148,659,004	155.18%	*17*
Asia Internet Capital Management LLC	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*17*
EC.com Inc.	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*17*
Smart Channel Investments Inc.	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*17*
MKT Holdings (Cayman Islands) LLC	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*17*
HSBC International Trustee Limited	Trustee	—	148,659,004	148,659,004	155.18%	*17*
Gentfull Investment Limited ("Gentfull")	Beneficial owner	—	148,659,004	148,659,004	155.18%	*18*
Ms. Vivien Chen Wai Wai	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*18*
Doutdes S.P.A. ("Doutdes")	Beneficial owner	—	148,659,004	148,659,004	155.18%	*19*
UFI Filters SPA	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*19*
GGG SPA	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*19*
G.G.G. S.A.	Beneficial owner	—	99,106,003	99,106,003	103.46%	*20*
Mr. Giorgio Girondi	Interest of controlled corporation	—	247,765,007	247,765,007	258.64%	*19 & 20*

Name	Capacity	Number of Shares held	Number of underlying shares held	Total	Approximate % of shareholdings[(d)]	*Note*
UBS España, S.A. ("UBS")	Nominee	—	128,441,377	128,441,377	134.08%	*21*
Ms. Angeles González Garcia	Interest of controlled corporation	—	49,553,001	49,553,001	51.73%	*21*
Mr. Jorge Garcia González	Interest of controlled corporation	—	49,553,001	49,553,001	51.73%	*21*
Sphirantes	Nominee	—	49,553,001	49,553,001	51.73%	*21*
Mr. Cesar Molinas Sanz	Beneficial owner	—	17,343,550	17,343,550	18.10%	*21*
Duserali, S.L.	Beneficial owner	—	14,865,900	14,865,900	15.52%	*21*
Mr. Antonio Del Cano Barbón	Interest of controlled corporation	—	14,865,900	14,865,900	15.52%	*21*
Mr. Ramón Suarez Beltrán	Beneficial owner	—	9,910,600	9,910,600	10.35%	*21*
Mr. Ricardo Sanz Ferrer	Beneficial owner	—	9,910,600	9,910,600	10.35%	*21*
Mr. Miguel Orúe-Echeverria	Beneficial owner	—	9,910,600	9,910,600	10.35%	*21*
ALCO Beteiligungsgesellschaft mbH ("ALCO")	Beneficial owner	—	122,513,089	122,513,089	127.89%	*22*
Albert Büll Kommanditgesellschaft ("ABK")	Interest of controlled corporation	—	122,513,089	122,513,089	127.89%	*22*
Mr. Albert Henri Karl Büll	Interest of controlled corporation	—	122,513,089	122,513,089	127.89%	*22*
Wittelsbacher Ausgleichsfonds	Beneficial owner	—	122,513,089	122,513,089	127.89%	

Name	Capacity	Number of Shares held	Number of underlying shares held	Total	Approximate % of shareholdings[(d)]	*Note*
Timeless	Beneficial owner	—	99,106,003	99,106,003	103.46%	*23*
Kenthomas Company Limited	Nominee	—	99,106,003	99,106,003	103.46%	*23*
NASAC 2	Beneficial owner	—	98,502,618	98,502,618	102.83%	*24*
KKR Group Investments II LLC ("KKR")	Beneficial owner	—	89,080,460	89,080,460	92.99%	*25*
Mr. George Rosenberg Roberts	Interest of controlled corporation	—	89,080,460	89,080,460	92.99%	*25*
Mr. Henry Roberts Kravis	Interest of controlled corporation	—	89,080,460	89,080,460	92.99%	25
GAUD Holding B.V. ("GAUD")	Beneficial owner	—	81,675,393	81,675,393	85.26%	*26*
Ms. Dorothée Emma Margaretta Goldschmeding	Interest of controlled corporation	—	81,675,393	81,675,393	85.26%	*26*
Ms. Sabine Marie Antoinette Goldschmeding	Interest of controlled corporation	—	81,675,393	81,675,393	85.26%	*26*
Ms. Anna Petra Elisabeth Goldschmeding	Interest of controlled corporation	—	81,675,393	81,675,393	85.26%	*26*
Mr. Frederik Harold Fentener van Vlissingen	Beneficial owner	—	78,544,061	78,544,061	81.99%	

Name	Capacity	Number of Shares held	Number of underlying shares held	Total	Approximate % of shareholdings[(d)]	*Note*
Jajebi Holding B.V. ("Jajebi")	Beneficial owner	—	68,062,822	68,062,822	71.05%	*27*
Mr. Jan van Seumeren	Interest of controlled corporation	—	68,062,822	68,062,822	71.05%	*27*
Latoer Holding B.V. ("Latoer")	Beneficial owner	—	68,062,822	68,062,822	71.05%	*28*
Mr. Roderik Johannes Rolanda van Seumeren	Interest of controlled corporation	—	68,062,822	68,062,822	71.05%	*28*
NUI Holding B.V. ("NUI")	Beneficial owner	—	68,062,822	68,062,822	71.05%	*29*
Mr. Patrick Jolyon van Seumeren	Interest of controlled corporation	—	68,062,822	68,062,822	71.05%	*29*
NASAC 3	Beneficial owner	—	58,210,000	58,210,000	60.77%	*30*
Rawlco Capital Ltd. ("Rawlco")	Beneficial owner	—	49,553,001	49,553,001	51.73%	*31*
Mr. Gordon Stanley Rawlinson	Interest of controlled corporation	—	49,553,001	49,553,001	51.73%	*31*
Fides Management Services Limited ("Fides")	Nominee	—	57,172,775	57,172,775	59.68%	*32*
Mr. Willem Auke Hekstra	Beneficial owner	—	16,335,079	16,335,079	17.05%	*32*
Clover Three Investments Ltd. ("Clover")	Beneficial owner	—	10,209,424	10,209,424	10.66%	*32*
Mr. Jan de Marez Oijens	Interest of controlled corporation	—	10,209,424	10,209,424	10.66%	*32*
Mr. Pieter de Marez Oijens	Interest of controlled corporation	—	10,209,424	10,209,424	10.66%	*32*

Other persons (interests related to preference shareholders)

Name	Capacity	Number of Shares held	Number of underlying shares held	Total	Approximate % of shareholdings[(d)]	Note
Mr. Christopher McLeod	Beneficial owner	—	8,167,540	8,167,540	8.53%	*32*
Mr. Menno de Kuyer	Beneficial owner	—	6,125,654	6,125,654	6.39%	*32*
Mr. Martijn Sven van der Veen	Beneficial owner	—	6,125,654	6,125,654	6.39%	*32*
Mr. David Flemming	Beneficial owner	—	6,125,654	6,125,654	6.39%	*32*
Mr. Fernando Rueda Sabater	Beneficial owner	—	7,432,950	7,432,950	7.76%	*21*
Mr. Richardo de Ponga Bianco	Beneficial owner	—	5,946,360	5,946,360	6.21%	*21*

Notes:

1. Mr. Tsang was directly interested in 19,693,486 shares and a further 39,386,973 underlying shares which may fall to be issued if the Convertible Bonds are converted at the initial conversion price of HK$0.1566.

2. These 509,400 shares were directly held by Oboe Development Trading Limited, which was wholly owned by Mr. Tsang.

3. Mr. Tsang was deemed to be interested in 148,659,004 underlying shares by virtue of his being a founder of a discretionary trust, the trustee of which was HSBC International Trustee Limited ("HSBC Trustee"). HSBC Trustee, through its controlling interests in Asia Internet Capital Management LLC which acted as the investment manager of AICV, was deemed to be interested in 148,659,004 underlying shares. These 148,659,004 underlying shares are the same underlying shares referred to in note 17 below. Mr. Tsang was therefore deemed, under the SFO, to be interested in an aggregate of 208,248,863 shares.

4. NASAC was directly interested in 44,163,474 shares and a further 88,326,947 underlying shares which may fall to be issued if the Convertible Bonds are converted at an initial conversion price of HK$0.1566. Accordingly, NASAC was deemed to be interested in a total of 132,490,421 shares.

5. NASA held the single voting participating share of NASAC and the single ordinary voting share of each of NASAC 2 and NASAC 3, NASA was therefore deemed to be interested in 289,203,039 shares.

6. API is the controlling company of NASA which in turn controls 100% voting capital of each of NASAC, NASAC 2 and NASAC 3. API was therefore deemed to be interested in 289,203,039 shares.

7. These underlying shares were held by Goldman Sachs (Asia) Finance, a company controlled by The Goldman Sachs (Asia) Finance Holdings L.L.C.. The Goldman Sachs Group, Inc. was deemed to have interests in these underlying shares through its direct subsidiary, The Goldman Sachs Global Holdings L.L.C., and its indirect subsidiary, The Goldman Sachs & Co., which was in turn the controlling company of The Goldman Sachs (Asia) Finance Holdings L.L.C.. Accordingly, all these parties were deemed, under the SFO, to have an interest in these underlying shares by virtue of their respective corporate interests in Goldman Sachs (Asia) Finance.

8. These underlying shares were held by NNL, a nominee for Military Superannuation and Benefits Board of Trustees No 1 as a trustee for an Australian pension fund.

9. These underlying shares were held by Woori, a company controlled by Woori Finance Holdings Co., Ltd.

10. These underlying shares were held by Oikos, a company controlled by Walkers SPV Limited.

11. These underlying shares were held by Grand Loyal, a company controlled by Mr. Ho Yiu Wing. Accordingly, Mr. Ho was taken to be interested in these underlying shares under the SFO by virtue of his interests in Grand Loyal.

12. These underlying shares were held by Grand Partners, a company controlled by Mr. William Doo Wai Hoi. Accordingly, Mr. Doo was taken to be interested in these underlying shares under the SFO by virtue of his interests in Grand Partners.

13. These underlying shares were held by Mozart, a company controlled by Dr. Thomas Helmut Jetter. Accordingly, he was taken to be interested in these underlying shares under the SFO by virtue of his interests in Mozart.

14. These underlying shares were held by Chevalier, a company 52.5% controlled by Mr. Chow Yei Ching and Ms. Miyakawa Michiko. Accordingly, both were taken to be interested in these underlying shares under the SFO by virtue of their interests in Chevalier.

15. These underlying shares were held by KBCI, a company controlled by KB. Accordingly, KB was taken to be interested in these underlying shares under the SFO by virtue of its corporate interests in KBCI.

16. These underlying shares were held by Frank, a company controlled by KB. Accordingly, KB was taken to be interested in these underlying shares under the SFO by virtue of its corporate interests in Frank.

17. These underlying shares were held by AICV which was managed by Asia Internet Capital Management LLC, a company 99% controlled by EC.com Inc.. HSBC Trustee was deemed to have interests in these underlying shares through its direct wholly-owned subsidiary MKT Holdings (Cayman Islands) LLC and its indirect wholly-owned subsidiary Smart Channel Investments Inc.. Smart Channel Investments Inc. had 48.66% controlling interests in EC.com Inc.. Accordingly, all these parties were deemed, under the SFO, to have an interest in these underlying shares by virtue of their respective corporate interests in AICV. These underlying shares are the same underlying shares referred to in note 3 above.

18. These underlying shares were held by Gentfull, a company 100% controlled by Ms. Vivien Chen Wai Wai. Accordingly, Ms. Chen was taken to be interested in these underlying shares under the SFO by virtue of her interests in Gentfull.

19. These underlying shares were held by Doutdes, a company 83.98% controlled by UFI Filters SPA which was in turn controlled by GGG SPA, a company controlled by Mr. Giorgio Girondi. Accordingly, all these parties were taken to be interested in these underlying shares under the SFO by virtue of their corporate interests in Doutdes.

20. These underlying shares were held by G.G.G. S.A., a company 100% controlled by Mr. Giorgio Girondi. Accordingly, Mr. Girondi was taken to be interested in these underlying shares under the SFO by virtue of his interests in G.G.G. S.A.

21. These underlying shares were held by UBS. Of these underlying shares, 49,553,001 underlying shares were held by Sphirantes, a company controlled by Ms. Angeles González Garcia and Mr. Jorge Garcia González; 17,343,500 underlying shares were held by Mr. Cesar Molinas Sanz; 14,865,900 underlying shares were held by Duserali, S.L., a company controlled by Mr. Antonio Del Cano Barbón; each of Messrs. Ramón Suarez Beltrán, Ricardo Sanz Ferrer and Miguel Orúe-Echeverria held 9,910,600 underlying shares; 7,432,950 underlying shares were held by Mr. Fernando Rueda Sabater; and 5,946,360 underlying shares were held by Mr. Richardo de Ponga Bianco.

22. These underlying shares were held by ALCO, a company controlled by ABK which in turn controlled by Mr. Albert Henri Karl Büll. Accordingly, both were taken to be interested in these underlying shares under the SFO by virtue of their interests in ALCO.

23. These underlying shares were held by Timeless, a company controlled by Mr. Cho through Kenthomas Company Limited. Accordingly, Mr. Cho was taken to be interested in these underlying shares under the SFO by virtue of his interests in Timeless. These underlying shares are the same underlying shares referred to in note 2 under (a) above.

24. These underlying shares were held by NASAC 2. NASA controls 100% of the ordinary voting share capital of NASAC 2 and was therefore deemed to be interested in these underlying shares under the SFO by virtue of its corporate interests in NASAC 2.

25. These underlying shares were held by KKR, a company controlled by Messrs. George Rosenberg Roberts and Henry Roberts Kravis. Accordingly, all these parties were taken to be interested in these underlying shares under the SFO by virtue of their interests in KKR.

26. These underlying shares were held by GAUD, a company controlled by Ms. Dorothée Emma Margaretta Goldschmeding, Ms. Sabine Marie Antoinette Goldschmeding and Ms. Anna Petra Elisabeth Goldschmeding. Accordingly, all these parties were taken to be interested in these underlying shares under the SFO by virtue of their interests in GAUD.

27. These underlying shares were held by Jajebi, a company controlled by Mr. Jan van Seumeren. Accordingly, he was taken to be interested in these underlying shares under the SFO by virtue of his interests in Jajebi.

28. These underlying shares were held by Latoer, a company controlled by Mr. Roderik Johannes Rolanda van Seumeren. Accordingly, he was taken to be interested in these underlying shares under the SFO by virtue of his interests in Latoer.

29. These underlying shares were held by NUI, a company controlled by Mr. Patrick Jolyon van Seumeren. Accordingly, he was taken to be interested in these underlying shares under the SFO by virtue of his interests in NUI.

30. These underlying shares were held by NASAC 3. NASA controls 100% of the ordinary voting share capital of NASAC 3 and was therefore deemed to be interested in these underlying shares under the SFO by virtue of its corporate interests in NASAC 3.

31. These underlying shares were held by Rawlco, a company controlled by Mr. Gordon Stanley Rawlinson. Accordingly, he was taken to be interested in these underlying shares under the SFO by virtue of his interests in Rawlco.

32. These underlying shares were held by Fides and beneficially owned by Mr. Willem Auke Hekstra, Clover, Mr. Christopher McLeod, Mr. Menno de Kuyer, Mr. Martijn Sven van der Veen, Mr. David Flemming and Mr. David Koker respectively. Clover was controlled by Messrs. Jan de Marez Oijens and Pieter de Marez Oijens. Accordingly, both were taken to be interested in these 10,209,424 underlying shares under the SFO by virtue of their interests in Clover.

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who had an interest or short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and/or were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group as at the Latest Practicable Date.

4. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation). Also, their remuneration and benefit in kind receivable will not be directly varied in consequence of any acquisition by the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, substantial Shareholders and their respective associates compete or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group pursuant to the GEM Listing Rules.

6. LITIGATION

On 29th April 2008, American Tec Company Limited ("Amtec"), a wholly-owned subsidiary of the Company, replaced its chief executive officer ("CEO") as there was evidence showing that he engaged in personal business that was in direct competition with Amtec. On 6th May 2008, Amtec applied to the High Court of Hong Kong to, among other things, seek an injunction against five defendants including the then CEO and president respectively of Amtec and three companies through which they conducted their personal businesses while they were employees of Amtec.

As at the Latest Practicable Date, court proceedings are ongoing and the amount of damages is yet to be ascertained.

As at the Latest Practicable Date, save as disclosed above, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) were entered into by members of the Group within the two years preceding the Latest Practicable Date and are or may be material:

(a) the agreement dated 4th September 2006 entered into among the Ajia Parties and the Company pursuant to which the Ajia Parties agree to waive any requirement to adjust the conversion price of the Convertible Bonds arising from the placement of Preference Shares to Woori Bank in September 2006;

(b) the sale and purchase agreement dated 2nd August 2006 (as supplemented and amended by an agreement dated 5th October 2006) entered into among the Company, Best Creation Investments Limited ("Best Creation") and Autron Corporation Limited ("Autron") in relation to the acquisition of the entire issued share capital of Amtec and Autron India Private Limited ("AIP") by Best Creation, details of which are set out in the circular of the Company dated 13th October 2006;

(c) the facility agreement dated 14th August 2006 (as supplemented by a subsequent agreement dated 13th September 2006) and the deed of charge dated 14th September 2006 entered into by Autron, Amtec, other subsidiaries of Autron named therein and ABN AMRO Bank N.V. ("ABN") in relation to the term loan facility of US$45 million (equivalent to approximately HK$351 million) granted by ABN to Autron, for which the entire share capital of Amtec was pledged by Autron to ABN as security. The security was released upon the full repayment of the said facility when the Group completed the acquisition of the entire issued share capital of Amtec and AIP on 3rd November 2006;

(d) the subscription agreement dated 16th October 2006 entered into among Good Tactics Limited ("Good Tactics"), Coland Group Limited ("Coland"), the shareholders of Coland other than Good Tactics (the "Coland Shareholders") and the Company in relation to the subscription of the preferred shares of Coland by Good Tactics, details of which are set out in the circular of the Company dated 10th November 2006;

(e) the shareholders' agreement dated 7th December 2006 entered into among Good Tactics, Coland, Coland Shareholders and the Company in relation to the respective Shareholders' rights of Good Tactics and the Coland Shareholders in Coland, details of which are set out in the circular of the Company dated 10th November 2006;

(f) the agreement dated 15th March 2007 entered into among Smart Tactic Limited, Glory Ally Limited, the Company and BK ASIAPAC, PTE. LTD. in relation to the grant of the exclusive right to develop and operate Burger King restaurants in Hong Kong and Macau, details of which are set out in the circular of the Company dated 11th April 2007;

(g) the 17 subscription agreements entered into among the Company and 17 institutional and professional investors including NASAC 2 and NASAC 3 during October and November 2007 in relation to the placement of an aggregate of 241,205,128 Preference Shares by the Company to the investors, details of which are set out in the circular of the Company dated 23rd November 2007 and announcement of the Company dated 31st December 2007;

(h) the agreement dated 14th December 2007 entered into among the Ajia Parties and the Company pursuant to which the Ajia Parties agreed to waive any requirement to adjust the conversion price of the Convertible Bonds arising from the placement of the Preference Shares in December 2007;

(i) the agreement dated 9th May 2008 entered into between Good Tactics and Coland in relation to the provision of the corporate guarantee(s) to be provided by Good Tactics or the Group (if not by Good Tactics) to the loan(s) made or proposed to be made by Coland and its subsidiaries, details of which are set out in the circular of the Company dated 13th June 2008;

(j) the Agreement;

(k) the assignment and assumption agreement dated 26th June 2008 entered into among Kyungnam, NASS and SMG pursuant to which Kyungnam assigned and NASS assumed the purchase of the Sale Shares and the rights under the SSPA; and

(l) the Shareholders' Agreement.

8. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

NASA, a party to the Services Agreement, is a subsidiary of API. Mr. Cho and Mr. Chow each holds less than 20.0% and 10.0% equity interest in API respectively.

Save for the NASAC 2 Agreement, the Services Agreement and the subscription agreement entered into between the Company and Timeless on 26th September 2005 in relation to the subscription by Timeless of 99,106,003 Preference Shares under the first round placement in which Mr. Cho is interested, there is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31st March 2008, the date to which the latest published audited consolidated financial statements of the Group were made up.

9. AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The duties of the Audit Committee include reviewing the Company's annual reports and quarterly financial reports and providing advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The Audit Committee comprises four independent non-executive Directors, namely Mr. Philip Ma King Huen, Mr. Kenny Tam King Ching, Mr. Edgar Kwan Chi Ping and Mr. Yu Wang Tak. The biographies of members of the Audit Committee are set out in the paragraph headed "Directors and senior management" in this appendix.

10. CONSENTS

Each of Ernst & Young and PricewaterhouseCoopers has given and has not withdrawn their respective written consent to the issue of this circular with the inclusion herein of their respective letters and reports and/or references to its name, in the form and context in which they respectively appear.

11. QUALIFICATION

The following is the qualification of the expert who has been named in this circular or has given its opinion, letters, reports or advice which are contained in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, Ernst & Young and PricewaterhouseCoopers did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any interest, direct or indirect, in any assets which had, since 31st March 2008 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

12. PROCEDURES FOR DEMANDING A POLL BY THE SHAREHOLDERS

Pursuant to bye-law 66 of the Bye-laws of the Company, at any general meeting, a resolution put to the vote of a meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the Stock Exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

(a) by the chairman of such meeting; or

(b) by at least three members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(c) by a member or members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(d) by a member or members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right, or

(e) if required by the rules of the Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights at such meeting.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member.

13. GENERAL

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its head office and principal place of business in Hong Kong is at 78th Floor, The Center, 99 Queen's Road Central, Hong Kong.

(b) The compliance officer of the Company is Mr. Chow whose qualification is detailed under the section headed "Directors and senior management" in this appendix.

(c) The qualified accountant of the Company is Ms. Grace Luk Pui Yin whose qualification is detailed under the section headed "Directors and senior management" in this appendix.

(d) The company secretary of the Company is Ms. Lam Yee Fan. She has over 15 years of company secretarial experience in listed companies in Hong Kong. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

(e) The principal share registrar and transfer office of the Company in Bermuda is Butterfield Fund Services (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.

(f) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(g) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at 78th Floor, The Center, 99 Queen's Road Central, Hong Kong from the date of this circular up to and including 4th August 2008 and at the Special General Meeting on 20th August 2008:

(a) the Memorandum of Association and Bye-laws of the Company;

(b) the annual reports of the Company for each of the two years ended 31st March 2007 and 2008;

(c) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(d) the accountant's report on the Group, the text of which is set out in Appendix I to this circular, and the related statement of adjustments;

(e) the letter issued by Ernst & Young in connection with the unaudited pro forma financial information, the text of which is set out in Appendix III to this circular;

(f) the consent letters issued by Ernst & Young and PricewaterhouseCoopers referred to in the paragraph headed "Consents" in this appendix; and

(g) a copy of each of the circulars issued by the Company pursuant to the requirements set out in Chapters 19 and/or 20 of the GEM Listing Rules which has been issued since the date of the latest published audited financial statements of the Company.

North Asia Strategic Holdings Limited
北亞策略控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8080)

Unless the context requires otherwise, terms used in this notice shall have the same meaning as they are defined in the circular of the Company dated 21st July 2008.

NOTICE IS HEREBY GIVEN that a special general meeting of North Asia Strategic Holdings Limited (the "Company") will be held at 78th Floor, The Center, 99 Queen's Road Central, Hong Kong on Wednesday, 20th August 2008 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution:

ORDINARY RESOLUTION

"**THAT**:—

(A) any acquisitions or disposals of shares or interests in TK Chemical Co., Ltd., pursuant to the:—

(i) grant of the SMG Call Option pursuant to clause 6.1 of the Shareholders' Agreement;

(ii) exercise of the Non-conversion Put pursuant to clause 2.2 of the Shareholders' Agreement;

(iii) exercise of the Non-listing Redemption under the terms of TKC Preferred Shares;

(iv) exercise of the NASS Put Options pursuant to clause 6.2 of the Shareholders' Agreement; and

(v) exercise of the TKC Breach Redemption pursuant to clause 6.3 of the Shareholders' Agreement

be and are hereby approved; and

(B) the refinancing of all or part of the SMG Loans pursuant to the exercise of the Refinancing Option according to clause 5.13 of the Shareholders' Agreement be and is hereby approved; and

* *For identification purpose only*

(C) the directors of the Company (the "Directors") be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to any matters relating to or in connection with the above transactions."

On behalf of the Board
North Asia Strategic Holdings Limited
Savio Chow Sing Nam
Executive Director and Chief Executive Officer

Hong Kong, 21st July 2008

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong:
78th Floor
The Center
99 Queen's Road Central
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or, if he/she holds two or more shares, more than one proxy to attend and vote instead of him/her. A proxy need not be a member of the Company.

2. To be valid, this form of proxy, together with the relevant power of attorney or other authority (if any) under which it is signed (or a certified true copy thereof) must be deposited at the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting, as the case may be.

3. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the meeting or any adjournment thereof and, in such event, the authority of the proxy shall be deemed to be revoked.

4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto. If more than one of such joint holders are present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.