

North Asia Strategic Holdings Limited

北亞策略控股有限公司*

(Incorporated in Bermuda with limited liability)


(於百慕達註冊成立之有限公司)

(Stock Code 股票編號：8080)



NORTH ASIA STRATEGIC

2005/06年報
Annual Report

An aerial photograph of a city skyline, likely Hong Kong, featuring numerous high-rise buildings and a large body of water in the background. The image is used as a background for the text.

CHARACTERISTICS OF GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Göran Sture Malm (*Chairman*)
Savio Chow Sing Nam (*Chief Executive Officer*)
Henry Cho Kim
Andrew Yao Cho Fai
Desmond Fu Hay Ching

Independent Non-Executive Directors

Philip Ma King Huen
Kenny Tam King Ching
Edgar Kwan Chi Ping

AUDIT COMMITTEE

Kenny Tam King Ching (*Committee Chairman*)
Philip Ma King Huen
Edgar Kwan Chi Ping

REMUNERATION COMMITTEE

Edgar Kwan Chi Ping (*Committee Chairman*)
Philip Ma King Huen
Kenny Tam King Ching
Savio Chow Sing Nam

NOMINATION COMMITTEE

Philip Ma King Huen (*Committee Chairman*)
Kenny Tam King Ching
Göran Sture Malm

AUTHORISED REPRESENTATIVES

Savio Chow Sing Nam
Henry Cho Kim

COMPLIANCE OFFICER

Savio Chow Sing Nam

QUALIFIED ACCOUNTANT

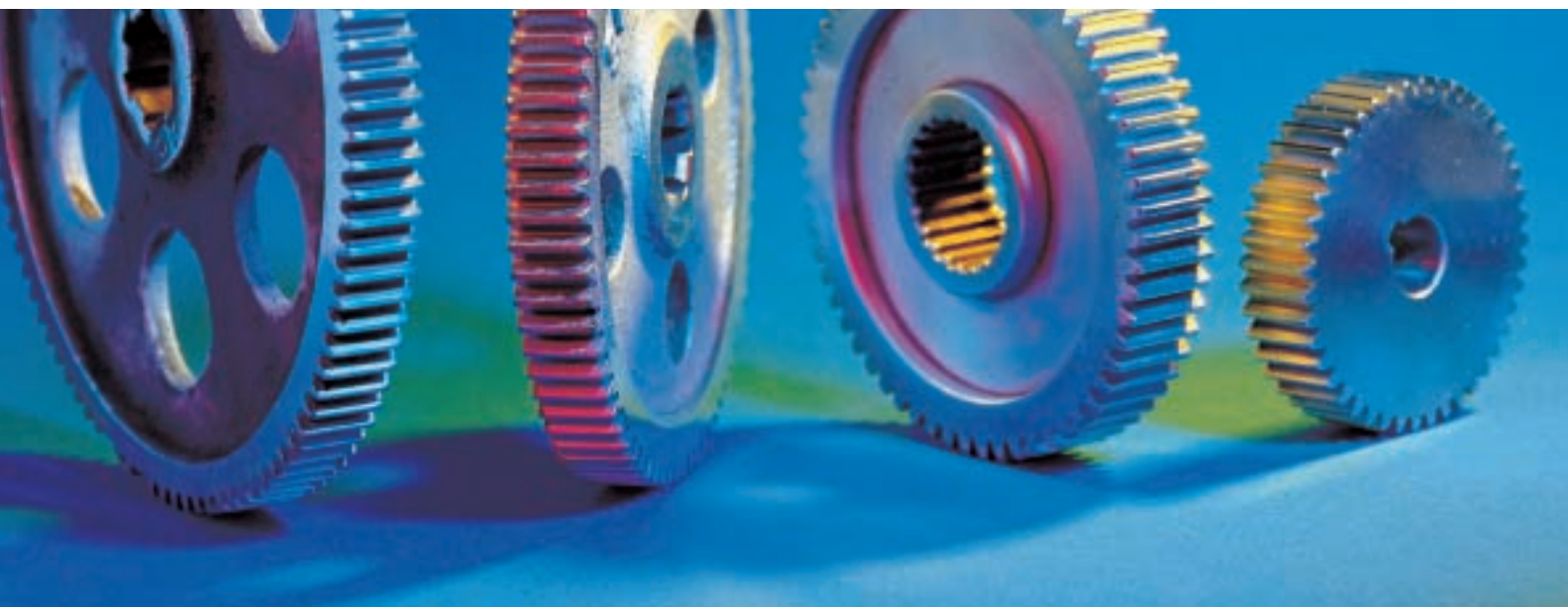
Grace Luk Pui Yin

COMPANY SECRETARY

Lam Yee Fan

STOCK CODE

8080



REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

78th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 2905 9000
Fax: (852) 2169 0209

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712 - 1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Tel: (852) 2862 8628
Fax: (852) 2865 0990

PRINCIPAL BANKERS

Hang Seng Bank Limited
Fubon Bank (Hong Kong) Limited
Banco Weng Hang, S.A. Macau

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

WEBSITE

www.nasholdings.com



Financial Highlights

The following is a summary of the audited consolidated accounts of North Asia Strategic Holdings Limited (the “Company” or “North Asia Strategic”) and its subsidiaries (collectively the “Group” or “North Asia Strategic Group”) for the respective years as hereunder stated.

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Revenue	359,948	859,685	1,429,443	811,142	428,345
(Loss)/Profit before income tax	(16,995)	(4,497)	(25,042)	8,464	(18,811)
Income tax credit/(expense)	5,007	(5,946)	(889)	(1,840)	1,472
(Loss)/Profit after income tax but before minority interests	(11,988)	(10,443)	(25,931)	6,624	(17,339)
Minority interests	—	—	220	(34)	(1)
(Loss)/Profit attributable to the equity holders of the Company	(11,988)	(10,443)	(25,711)	6,590	(17,340)

Note:

No dividends have been paid or declared by the Company since its incorporation.



CONSOLIDATED BALANCE SHEETS

	As at 31st March				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Plant and equipment	478	1,411	2,922	3,230	2,306
Website development costs	6	21	43	918	2,165
Non-current receivables	494,135	—	—	—	—
Long-term investments	—	780	2,136	685	28,201
Deferred tax assets	—	—	4,483	—	—
Current assets	610,571	163,536	377,603	333,885	194,354
Current liabilities	(40,953)	(163,611)	(374,542)	(324,033)	(215,660)
Non-current liabilities	(14,642)	—	—	—	—
Net Assets	1,049,595	2,137	12,645	14,685	11,366
Capital and reserves					
Share capital	74,790	159,659	159,638	156,450	156,450
Other reserves	996,489	13,818	13,904	(7,913)	(4,608)
Accumulated losses	(21,684)	(171,340)	(160,897)	(135,186)	(141,776)
Shareholders' equity	1,049,595	2,137	12,645	13,351	10,066
Minority interests	—	—	—	1,334	1,300
	1,049,595	2,137	12,645	14,685	11,366



Chairman's Statement

On behalf of the Board of Directors, I hereby present the audited consolidated results of North Asia Strategic Holdings Limited (the "Company" or "NAS") and its subsidiaries (collectively the "Group" or "NAS Group") for the year ended 31st March 2006.

The financial year ended 31st March 2006 was a challenging year for the Group. During the year, the Group's steel trading business continued to operate in a difficult environment. Turnover and gross profit margin of the Group decreased when compared to last year, which is principally due to the lasting adverse effect of the PRC's central government's continuous macro-entrenchment policies to limit excessive investments in several overheated industries including the steel and automobile as well as the real estate sector. To achieve better allocation of the Group's financial resources, management had put substantial efforts in resources re-alignment to higher margin steel products and they had also imposed strict control over spending, resulting in elimination of some unnecessary administrative expenses and selling expenses. In light of the volatility of the depressed steel price and the continuous deployment of austerity program implemented to the PRC steel market, we have decided to focus on the trading of higher margin stainless steel imported from independent third party suppliers at the end of the financial year, which is used by export-oriented manufacturers of electrical appliances and kitchen utensils. We will continue to manage the steel trading operation with a very cautious approach and focus on improving its cost efficiency and effectiveness. To diversify our product range, we have also started to trade in electronics equipments subsequent to 31st March 2006 and we will continue to look for other products for trading.

On the financing front, the Company has successfully completed two placements during the year, raising a total of approximately HK\$1,186 million before expenses for future expansion and diversification plans. The first placement of ordinary shares and convertible bonds for a total of HK\$30 million from North Asia Strategic Acquisition Corp. and Mr. Moses Tsang Kwok Tai (the "Ajia Parties") was completed in August 2005. Since then, the Ajia Parties have become the new controlling shareholders of the Company. The second placement was started in September 2005, resulting in issuance of non-redeemable convertible preference shares issued to 19 institutional and professional investors in February and March 2006 for a total of approximately HK\$1,156 million before expenses. These 19 investors comprise internationally reputable institutions and the introduction of these investors has enhanced the shareholders profile of the Company. We believe that the placement has strengthened the overall capital base and financial capability of the Group to diversify the Group's operations from its cyclical steel trading business.



OUTLOOK

We are of the view that the placement is beneficial to the Company in the long run, as it substantially enhances the Company's financial position, coupled with the opportunity to leverage on the capability and expertise of a very seasoned and well connected group of international professional investors. We view the investors as important business partners for the future development of the Group. We are actively exploring and will continue to explore 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, with a view to bringing greater return to our shareholders. In an effort to build a diversified mix of businesses, we are working hard in seeking new investment opportunities and operation platforms that have solid growth potentials. On 26th May 2006, we made an announcement of entering into a non-legally binding term sheet with Autron Corporation Limited ("Autron"), a leading assembly equipment solutions provider to the electronics manufacturing industry and listed on the Main Boards of both the Singapore and Australian Stock Exchanges, for a possible investment in its new shares and convertible bonds totaling up to approximately HK\$372 million. As of the date of this report, due diligence on Autron and negotiation with some other possible investment targets are in progress but the Company has not entered into any definitive agreements for any investments.

APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere gratitude to our worldwide suppliers and customers for their trust and support in our products and services throughout the years. I also wish to take this opportunity to offer my appreciation to our shareholders for their confidence in NAS, as well as our staff for their dedication and diligence. From such overwhelming commitment, we will continue to pace our efforts towards the long-term development of NAS.

Göran Sture Malm
Chairman

Hong Kong, 21st June 2006



Management Discussion and Analysis

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.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March 2006, NAS 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 NAS. 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 Renminbi and deposited with the banks in China.

As at 31st March 2006, NAS 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 NAS Group's businesses were primarily transacted in Hong Kong dollars, United States ("US") dollars and Renminbi ("RMB"). The Group's cash and bank deposits, including pledged bank deposit, were mainly denominated in Hong Kong dollar. The foreign currency exposure of the Group is mainly driven by its business operations. Sales receipts were collected in Renminbi and United States dollars. On the other hand, the steel products purchases were mainly denominated in United States dollars and Renminbi. With a comparatively immaterial fluctuation in exchange rates between United States dollars with Renminbi, the Group considers the foreign currency exposure was minimal for the year under review. The NAS Group will continue to monitor closely the exchange rate between US dollar and RMB and will make necessary hedging arrangements to mitigate the risk arising from foreign currency fluctuation in the future.

Management Discussion and Analysis

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 NAS 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).

On 10th June 2002, the Company adopted an employee share option scheme (the "New Scheme") under which the Company's Board of Directors may at its discretion offer stock option to any employee/agent/consultant or representative, including any executive or non-executive director, of any member of the Group or any other person who satisfies the selection criteria as set out in the New Scheme. The principal purposes of the New Scheme are to provide incentives to participants to contribute to the Group and/or to enable the Group to recruit and/or to retain high-calibre employees and attract human resources that are valuable to the Group. The New Scheme shall be valid and effective for a period of ten years commencing on the adoption date (i.e. 10th June 2002). No options have been granted by the Company pursuant to the New Scheme up to the date of this announcement. The New Scheme was adopted to replace the previous old scheme, of which 52,750,000 options granted were cancelled by the shareholders of the Company at its special general meeting held on 14th July 2005.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Göran Sture Malm, Chairman

Mr. Göran Sture Malm, aged 59, joined the Company in August 2005. Mr. Malm is the Chairman of Boathouse Limited, an investment company and Project HOPE Hong Kong Foundation, a US originated charity. 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.

Savio Chow Sing Nam, Chief Executive Officer

Mr. Savio Chow Sing Nam, aged 49, joined the Company in August 2005. Mr. Chow is the Lead Partner for the special situations group of Ajia Partners Inc. ("API") and companies controlled by it ("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 US and Asia Pacific. He was the Managing Director of Yahoo! Inc. responsible for Asia. Prior to joining Yahoo, 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.

Henry Cho Kim

Mr. Henry Cho Kim, aged 41, joined the Company in August 2005. Mr. Cho is a Co-founder and Managing Partner of the 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.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS *(Cont'd)*

Andrew Yao Cho Fai

Mr. Andrew Yao Cho Fai, aged 40, has been with the Company since the formal establishment of the trading operation in April 1997. He graduated from the University of California, Berkeley, with a Bachelor degree in Finance and obtained a Master of Business Administration degree from the Harvard University Graduate School of Business Administration. Mr. Yao has extensive experience in the steel trading business and is the Chairman of Van Shung Chong Holdings Limited. 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 Hong Kong Housing Society. He also sits on the Shanghai People's Political Consultative Conference, acts as Deputy Chairman of the Shanghai Youths Federation, the Hong Kong United Youth Association Limited and the China Young Entrepreneurs' Association, Director of the Shanghai Fudan University and court member of the University of Hong Kong.

Desmond Fu Hay Ching

Mr. Desmond Fu Hay Ching, age 50, has been with the Company since May 2000. He has over 20 years of experience in China related steel business and investment with several multinational steel companies including British Steel Corporation (now known as Corus), TradeArbed (now known as Arcelor) and Fletcher Challenge (the biggest private company in New Zealand). Mr. Fu holds a Bachelor degree in Civil Engineering with honor from the University of London and a Master degree in E-commerce from the University of Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Philip Ma King Huen

Mr. Philip Ma King Huen, aged 49, 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 1996-2000 and is very active in the community service. He holds a Master degree in Business Administration from McMaster University. Mr. Ma is a member of the audit committee, remuneration committee and nomination committee of the Company.

Kenny Tam King Ching

Mr. Kenny Tam King Ching, aged 57, joined the Company in September 2004. He is a practising 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, Insolvency Practitioners Committee, Professional Risk Management Committee and Small and Medium Practitioners 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, Swank International Manufacturing Company Limited and Van Shung Chong Holdings Limited. Mr. Tam is a member of the audit committee, remuneration committee and nomination committee of the Company.

Profiles of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Cont'd)*

Edgar Kwan Chi Ping

Mr. Edgar Kwan Chi Ping, aged 56, joined the Company in September 2004. Mr. Kwan, a Civil Engineer, has over 30 years of local and international experience in engineering, construction and project management. He is 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 acting as the Chairman of the Construction Industry Training Authority, Vice President of the Hong Kong Construction Association, and a member of a number of public bodies including the Independent Police Complaints Council, the Broadcasting Authority Complaints Committee, the Engineers Registration Board and the Appeal Tribunal (Building). Mr. Kwan is a member of the audit committee and remuneration committee of the Company.

SENIOR MANAGEMENT

Grace Luk Pui Yin, Chief Financial Officer

Ms. Grace Luk Pui Yin, aged 41, 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 Vice President of Dresdner Kleinwort Capital, the private equity arm of Dresdner Bank. She has over 8 years of private equity experience in the Greater China region. Prior to Kleinwort Benson, Ms. Luk was department head of the category financial management department at Colgate-Palmolive and was an auditor at Arthur Andersen 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.

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders, and follows the principles set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

Subject to the deviations as disclosed in this report, the Company has complied with the code provisions set out in the Code throughout the year ended 31st March 2006.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealing set out in rules 5.48 to 5.68 of the GEM Listing Rules (the “Required Standard”) as the code of conduct regarding securities transactions by the Directors of the Company and has complied with the Required Standard throughout the year ended 31st March 2006.

A copy of the Required Standard is sent to each Director of the Company upon appointment and a notification of the black-out period is sent to each Director at least one month before the date of the board meetings for approving the Company’s quarterly results, interim results and annual results.

Having made specific enquiry of all Directors of the Company, all Directors confirmed that they had complied with the Required Standard.

BOARD OF DIRECTORS

The board of Directors (the “Board”) has the responsibility for leadership and control of the Company. They are collectively responsible for promoting the success of the Group by directing and supervising the Group’s affairs. The Board is accountable to shareholders for the strategic development of the Group with the goal of maximising long-term shareholder value, while balancing broader stakeholder interests.

Composition

The Board currently comprises eight Directors: five executive Directors and three independent non-executive Directors that are more than one-third of the Board. Biographical details of the Chairman and the other Directors are set out in the section of “Profiles of Directors and Senior Management” on pages 12 to 14.

The Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. All the Directors give sufficient time and attention to the Company’s affairs. The Board believes that the ratio of executive to non-executive Directors is reasonable and adequate to provide checks and balances that safeguard the interests of the shareholders and the Company as a whole.

Corporate Governance Report

BOARD OF DIRECTORS *(Cont'd)*

Composition *(Cont'd)*

The executive Directors are responsible for the day-to-day management of the Group's operations. These Directors conduct regular meetings with the senior management of the Company and its subsidiaries, at which operational issue and financial performance are evaluated.

The non-executive Directors provide the Company with a wide range of expertise and experience. They bring independent judgment on issues relating to the Group's strategy, performance, risk and management process through their contribution at Board and Committee meetings.

According to the Bye-laws of the Company, newly appointed Directors shall hold office until the next following annual general meeting and shall be eligible for re-election at that meeting. The Company will make amendment to its Bye-laws at the forthcoming annual general meeting so that newly appointed Directors shall hold office until the next following general meeting and shall be eligible for re-election at that meeting.

Under provision A.4.2 of the Code, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In compliance with this, the Company has amended its Bye-laws to make it has the same effect with the approval of the shareholders of the Company at the special general meeting held on 20th February 2006.

Independence

The Company has three independent non-executive Directors, at least one of whom has appropriate financial management expertise, in compliance with the GEM Listing Rules. Each independent non-executive Director gives the Company an annual confirmation of his independence, and the Company considers these directors to be independent under the guidelines set out in Rule 5.09 of the GEM Listing Rules. No independent non-executive Director has served the Company for more than nine years.

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Göran Sture Malm and the Company's Chief Executive Officer is Mr. Savio Chow Sing Nam. The roles of the Chairman and the Chief Executive Officer are distinct and segregated with a clear division of responsibility. The Chairman plays a leading role and is responsible for effective running of the Board while the Chief Executive Officer is delegated with the authority and responsibility of overall management, business development and implementation of the Group's strategy determined by the Board in achieving its overall commercial objectives.

Corporate Governance Report

BOARD OF DIRECTORS (Cont'd)

Non-executive Directors

In compliance with provision A.4.1 of the Code, the independent non-executive Directors had signed letters of appointment with the Company in October 2005 to confirm the term of their appointments for three years commencing on 1st November 2005.

The term of office of each of the non-executive Directors is for a period of three years unless terminated by either party with one month's written notice, and they are subject to retirement by rotation and re-election at the annual general meeting in accordance with the provisions of the Company's Bye-laws.

Board Meetings

The Board regularly meets in person or through other electronic means of communication at least four times every year to determine overall strategic direction and objectives and approve quarterly, interim and annual results, budgets and other significant matters. At least 14 days' notice of regular Board meetings are given to all Directors, who are all given an opportunity to attend and include matters in the agenda for discussion. Apart from regular meetings, senior management from time to time provides to the Directors information on activities and development of the businesses of the Group. The company secretary takes detailed minutes of the meetings and keeps records of matters discussed and decisions resolved at the meetings.

Frequency of Meetings and Attendance

Ten full Board meetings were held during the year with an average attendance rate of 73%. The attendance of each Director at board meetings is set out below:

Board Members	Number of Meetings Attended/Held
Executive directors	
Göran Sture Malm (<i>Chairman</i>) (appointed on 9th August 2005)	8/9
Savio Chow Sing Nam (<i>Chief Executive Officer</i>) (appointed on 9th August 2005)	9/9
Henry Cho Kim (appointed on 9th August 2005)	8/9
Andrew Yao Cho Fai	2/10
Desmond Fu Hay Ching	6/10
Non-executive directors	
David Michael Faktor (resigned on 9th August 2005)	0/1
Independent non-executive directors	
Philip Ma King Huen	4/10
Kenny Tam King Ching	10/10
Edgar Kwan Chi Ping (appointed on 9th August 2005)	9/9
Kennedy Wong Ying Ho (resigned on 9th August 2005)	1/1

Corporate Governance Report

BOARD OF DIRECTORS *(Cont'd)*

Remuneration

During the year ended 31st March 2006, total Directors' remuneration amounted to HK\$2,422,000 (2005: HK\$1,926,000).

Remuneration of the Directors was reviewed and approved by the remuneration committee. Remuneration of the executive Directors is prudently designed to attract, motivate and retain them to formulate strategies and to oversee operational matters of the Group and to reward them for enhancing value to the shareholders.

Details of the remuneration of the Directors are set out in note 22 to the accompanying accounts.

COMMITTEES

In furtherance of good corporate governance, the Board has established three sub-committees: audit committee, remuneration committee and nomination committee. All of these committees have terms of reference which accord with the principles set out in the Code contained in Appendix 15 to the GEM Listing Rules.

Audit Committee

The audit committee was established with written terms of reference that set out the authorities and duties of the committee adopted by the Board. The committee comprises three independent non-executive Directors and is chaired by Mr. Kenny Tam King Ching who has appropriate professional qualifications and experience in financial matters.

To ensure full compliance with provision C.3.3 of the Code, the Board approved and adopted a revised terms of reference of the audit committee on 14th November 2005. Under the terms of reference which are aligned with the code provisions set out in the Code, the committee's principal duties are to ensure the adequacy and effectiveness of the accounting and financial controls of the Group, oversee the performance of internal control systems and financial reporting process, monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors.

The audit committee meets the external auditors at least four times a year to discuss any area of concern during the audits or review. The audit committee reviews the quarterly, interim and annual reports before submission to the Board. Senior representatives of the external auditors, executive Directors and senior management are invited to attend the meetings, if required.

During the year, the audit committee has approved the nature and scope of the statutory audits, and reviewed the quarterly, interim and annual accounts of the Group, and was content that the accounting policies and standards of the Group are in accordance with the current best practices in Hong Kong.

Corporate Governance Report

COMMITTEES (Cont'd)

Audit Committee (Cont'd)

Four meetings were held during the year and the attendance at meetings is set out below:

Audit Committee Members	Number of Meetings Attended/Held
Philip Ma King Huen	2/4
Kenny Tam King Ching	4/4
Edgar Kwan Chi Ping (appointed on 9th August 2005)	2/3
Kennedy Wong Ying Ho (resigned on 9th August 2005)	1/1

Remuneration Committee

The remuneration committee was re-structured with its term of reference adopted on 30th September 2005. The committee comprises four members, a majority of whom are independent non-executive Directors, and is chaired by Mr. Edgar Kwan Chi Ping. The remuneration committee is granted the authority to determine the remuneration policy and make recommendation to the Board of remuneration packages of the Directors and senior management. During the year, the committee has, by written resolutions, reviewed the remuneration packages of the directors and senior management and made recommendation to the Board for approval.

Nomination Committee

The nomination committee was established on 30th September 2005 with its term of reference adopted on 14th November 2005. The committee comprises three members, a majority of whom are independent non-executive Directors, and is chaired by Mr. Philip Ma King Huen. The nomination committee is responsible for making recommendations to the Board on the appointment of directors, evaluation of board composition and the management of board succession with reference to certain guidelines including appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and time commitments of members. No meeting was held since the establishment of the committee up to the financial year ended 31st March 2006.

AUDITORS' REMUNRATION

The Company reviews the appointment of external auditors on an annual basis including a review of the audit scope and approval of the audit fee. During the year, the fee payable to the Company's external auditors for the audit amounted to HK\$900,000 and fee for non-audit related activities amounted to HK\$505,000.

INTERNAL CONTROLS

The Board is responsible for maintaining a sound and effective internal control system to safeguard the Company's assets and shareholders' interest. The Board conducts regularly reviews of the effectiveness of the internal control system of the Group through reviews performed by audit committee, executive management and external auditors.

Corporate Governance Report

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Company proactively promotes investor relations. Communication with shareholders is always given high priority. Extensive information about the Group's activities is provided in the annual report, interim report and quarterly report. The Company's website provides regularly updated information to shareholders. Enquiries on matters relating to the businesses of the Group are welcomed, and are dealt with in an informative and timely manner.

The Company encourages all shareholders to attend the annual general meetings for which the Company gives at least 21 days' notice. Shareholders have statutory rights to call for special general meetings by serving appropriate written requests to the Company. The Company has amended its Bye-laws at the special general meeting on 20th February 2006 to allow any director or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at the meeting to demand a poll in certain circumstances where, on a show of hands, the meeting votes in the opposite manner to that instructed to those proxies. Details of the right to demand a poll are set out in the circular to shareholders despatched together with the annual report. The poll results are published on the websites of the Company and the Stock Exchange.

Owing to other engagements, the former chairman of the Company and the other members of the audit committee were not available to attend the annual general meeting of the Company held on 14th July 2005 while the remuneration committee of the Company was established on 30th September 2005. The Chairman of the Company and the chairman of the independent board committee and financial advisers were available to answer questions at the special general meeting of the Company held on 20th February 2006.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are ultimately responsible for the preparation of the accounts for each financial year which give a true and fair view. In preparing the accounts, appropriate accounting policies and standard are selected and applied consistently.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Auditors' Report on pages 44 to 45 of this annual report.

CONCLUSION

The Company believes that good corporate governance is significant in maintaining investor confidence and attracting investment. The management will devote considerable effort to strengthen and improve the standards of the corporate governance of the Group.

Report of the Directors

The board of Directors (the “Board”) have the pleasure of presenting their annual report together with the audited accounts of North Asia Strategic Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) for the year ended 31st March 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in trading of steel products, provision of 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).

CAPITAL REORGANISATION AND OTHER TRANSACTIONS

On 14th July 2005, the Company approved the capital reorganization involving share consolidation and share capital reduction by way of cancellation of the paid-up capital, share restoration to its original amount of HK\$400,000,000 and cancellation of share premium reserve of approximately HK\$11.1 million. Details of the capital reorganisation is set out in note 18 to the accompanying accounts.

The Company raised a total HK\$30 million from North Asia Strategic Acquisition Corp. (“NASAC”) and Mr. Moses Tsang Kwok Tai (“Mr. Tsang”) in August 2005 through the issuance of convertible bonds at face value of HK\$20 million and new shares of approximately 63,857,000 ordinary shares of HK\$0.01 each at a total subscription price of HK\$10 million to these investors. Further details of this placement are set out in note 18 to the accompanying accounts.

On 20th February 2006, the Company’s shareholders approved the increase of the Company’s authorised share capital to HK\$700,000,000 by creation of a new class of preference shares as to HK\$300,000,000 divided into 30,000,000,000 preference shares of HK\$0.01 each. Details are set out in note 18 to the accompanying accounts.

As at 31st March 2006, the Company raised an aggregate of approximately HK\$1,156 million before expenses through the issuance of approximately 7,383,167,000 convertible preference shares of HK\$0.01 each to 19 institutional and professional investors. Details of this placement are set out in the Company’s circular dated 24th January 2006 and note 18 to the accompanying accounts.

CHANGE OF COMPANY NAME

The Company has changed its name from “iSteelAsia Holdings Limited” to “North Asia Strategic Holdings Limited” on 9th August 2005 pursuant to the Certificate of Incorporation on Change of Name issued by the Registrar of Companies of Bermuda on 16th August 2005.

SEGMENT INFORMATION

An analysis of the Group’s turnover and segment results by business segment and geographical segment for the year ended 31st March 2006 is set out in note 5 to the accompanying accounts.

Report of the Directors

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31st March 2006 are set out in the consolidated profit and loss account on page 46 of this annual report.

The Directors do not recommend the payment of a dividend and recommend that the accumulated losses of approximately HK\$21,684,000 as at 31st March 2006 be carried forward.

SHARE CAPITAL

Details of movements in the share capital of the Company during the financial year are set out in note 18 to the accompanying accounts.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES AND ACCUMULATED LOSSES

Movements in reserves of the Group and the Company during the year are set out in note 19 to the accompanying accounts. As at 31st March 2006, the Company did not have any distributable reserves (2005: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 4 and 5 of this annual report.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 9 to the accompanying accounts.

PLANT AND EQUIPMENT

Details of movements in plant and equipment during the year are set out in note 6 to the accompanying accounts.

BANK BORROWINGS

Particulars of bank borrowings as at 31st March 2006 are set out in note 14 to the accompanying accounts.

INTEREST CAPITALISED

The Group has not capitalized any interest during the year.

Report of the Directors

PENSION SCHEMES

Details of the pension schemes are set out in note 22 to the accompanying accounts.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive Directors

Göran Sture Malm (<i>Chairman</i>)	(appointed on 9th August 2005)
Savio Chow Sing Nam (<i>Chief Executive Officer</i>)	(appointed on 9th August 2005)
Henry Cho Kim	(appointed on 9th August 2005)
Andrew Yao Cho Fai	
Desmond Fu Hay Ching	

Non-executive Directors

David Michael Faktor	(resigned on 9th August 2005)
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Independent Non-executive Directors

Philip Ma King Huen	
Kenny Tam King Ching	
Edgar Kwan Chi Ping	(appointed on 9th August 2005)
Kennedy Wong Ying Ho	(resigned on 9th August 2005)

In accordance with Bye-law 86(2) of the Company's Bye-laws, Messrs. Göran Sture Malm, Savio Chow Sing Nam, Henry Cho Kim and Edgar Kwan Chi Ping, being new directors appointed subsequent to the previous annual general meeting, will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Bye-law 87 of the Company's Bye-laws, Messrs. Andrew Yao Cho Fai and Desmond Fu Hay Ching will retire by rotation at the forthcoming annual general meeting. Mr. Andrew Yao Cho Fai, being eligible, will offer himself for re-election.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management are set out on pages 12 to 14 of this annual report.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

The term of office of each of Messrs. Philip Ma King Huen, Kenny Tam King Ching and Edgar Kwan Chi Ping is for a period of three years commencing on 1st November 2005. All of them are subject to retirement by rotation and re-election at annual general meeting pursuant to the Company's Bye-laws.

Details of the Directors' emoluments are set out in note 22 to the accompanying accounts.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March 2006, the Directors and chief executive of the Company and their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise 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:

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 issued by the Company under the placement. Each preference share shall be automatically converted into ordinary share in accordance with the terms of the preference shares as disclosed in the circular to shareholders dated 24th January 2006.
- (b) The approximate percentage of shareholdings set out below is based on 95,794,716 ordinary shares in issue as at 31st March 2006, not on the enlarged ordinary shares in issue upon full conversion of the preference shares.

Name of Director	Capacity	Number of Ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(b)	Note
Mr. Andrew Yao Cho Fai ("Mr. Yao")	Interest of Controlled Corporation	10,592,098	—	10,592,098	11.06%	1
Mr. Henry Cho Kim ("Mr. Cho")	Interest of Controlled Corporation	—	99,106,003	99,106,003	103.46%	2

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

Long positions in the shares and underlying shares ^(a) of the Company (Cont'd)

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 6,336,309 shares of the Company owned by Van Shung Chong (B.V.I.) Limited ("VSC BVI"), a wholly-owned subsidiary of Van Shung Chong Holdings Limited ("VSC"). Huge Top owns approximately 47.05% of the issued share capital of VSC. Mr. Yao is one of the two directors of VSC BVI. Accordingly, Mr. Yao was deemed, under the SFO, to have an interest in these shares of the Company held by VSC BVI. These shares were the same 6,336,309 shares referred to in note 22 under the section "Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO" below;
 - (iii) a deemed interest in 1,633,676 shares of the Company owned by TN Development Limited ("TN"). 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. Accordingly, Mr. Yao was deemed, under the SFO, to have an interest in these shares of the Company held by TN. These shares were the same 1,633,676 shares referred to in note 22 under the section "Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO" below; and
 - (iv) 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 Enterprises Limited ("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 17 under section "Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO" below.

Save as disclosed above, as at 31st March 2006, none of the Directors and the chief executive of the Company or their respective associates had any interests or short positions in the securities of the Company and 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 GEM Listing Rules relating to securities transactions by directors of listed companies to be notified to the Company and the Stock Exchange.

Save for the above, none of the Directors or the chief executive of the Company nor their spouses or children under 18 years of age had any interests in, or had been granted or exercised, any rights to subscribe for any securities of the Company or any of its associated corporations during the year.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

Long positions in the shares and underlying shares ^(a) of the Company (Cont'd)

Save for the above, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouses and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any of its associated corporations.

PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As at 31st March 2006, 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 an interest or short position in the shares and 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 to be issued by the Company under the placement. Each preference share shall be automatically converted into ordinary share in accordance with the terms of the preference shares as disclosed in the circular to shareholders dated 24th January 2006. Those underlying shares referred in notes 1 and 4 below arise as a result of the conversion of the convertible bonds, details of which are set out in the circular to shareholders dated 20th June 2005.
- (d) The approximate percentage of shareholdings set out below is based on 95,794,716 ordinary shares in issue as at 31st March 2006, not on the enlarged ordinary shares in issue upon full conversion of the preference shares and the convertible bonds.

Substantial shareholders (interests related to ordinary shareholders)

Name	Capacity	Number of Ordinary shares held	Number of Underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
Mr. Moses Tsang Kwok Tai ("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%	

Report of the Directors

PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO (Cont'd)

Long positions in the shares and underlying shares ^(c) of the Company (Cont'd)

Substantial shareholders (interests related to ordinary shareholders) (Cont'd)

Name	Capacity	Number of Ordinary shares held	Number of Underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
North Asia Strategic Acquisition Corp. ("NASAC")	Beneficial owner	44,163,474	88,326,947	132,490,421	138.31%	4
North Asia Strategic Advisors ("NASA")	Interest of controlled corporation	44,163,474	88,326,947	132,490,421	138.31%	4 & 5
Ajia Partners Inc. ("API")	Interest of controlled corporation	44,163,474	88,326,947	132,490,421	138.31%	4 to 6

Substantial shareholders (interests related to preference shareholders)

The Goldman Sachs Group, Inc. ("Goldman")	Interest of controlled corporation	—	2,477,650,064	2,477,650,064	2,586.42%	7
ABN AMRO Asset Management Holding N.V.	Beneficial owner	—	1,238,825,032	1,238,825,032	1,293.21%	
United Overseas Bank Limited	Beneficial owner	—	743,295,019	743,295,019	775.92%	
Oikos Asia Fund ("Oikos")	Beneficial owner	—	495,530,013	495,530,013	517.28%	8
Tiger International Management Inc. ("Tiger")	Beneficial owner	—	297,318,008	297,318,008	310.37%	9
Chen Jong-Tai	Interest of controlled corporation	—	297,318,008	297,318,008	310.37%	9
Chen Wu, Feng-Tsai	Interest of controlled corporation	—	297,318,008	297,318,008	310.37%	9
Banca Monte Dei Paschi Di Siena Spa	Beneficial owner	—	247,765,006	247,765,006	258.64%	
Grand Loyal (China) Limited ("Grand Loyal")	Nominee	—	247,765,006	247,765,006	258.64%	10

Report of the Directors

PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO (Cont'd)

Long positions in the shares and underlying shares ^(c) of the Company (Cont'd)

Substantial shareholders (interests related to preference shareholders) (Cont'd)

Name	Capacity	Number of Ordinary shares held	Number of Underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
Ho Yiu Wing	Interest of controlled corporation	—	247,765,006	247,765,006	258.64%	10
Grand Partners Group Limited ("Grand Partner")	Nominee	—	247,765,006	247,765,006	258.64%	11
William Doo Wai Hoi	Interest of controlled corporation	—	247,765,006	247,765,006	258.64%	11
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%	12
Chow Yei Ching	Interest of controlled corporation	—	198,212,005	198,212,005	206.91%	12
Miyakawa Michiko	Family interest	—	198,212,005	198,212,005	206.91%	12
Asia Internet Capital Ventures LP ("AICV")	Beneficial owner	—	148,659,004	148,659,004	155.18%	13
Asia Internet Capital Management LLC	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	13
EC.com Inc.	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	13
Smart Channel Investments Inc.	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	13

Report of the Directors

PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO (Cont'd)

Long positions in the shares and underlying shares ^(c) of the Company (Cont'd)

Substantial shareholders (interests related to preference shareholders) (Cont'd)

Name	Capacity	Number of Ordinary shares held	Number of Underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
MKT Holdings (Cayman Islands) LLC	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	13
HSBC International Trustee Limited	Trustee	—	148,659,004	148,659,004	155.18%	13
Gentfull Investment Limited ("Gentfull")	Beneficial owner	—	148,659,004	148,659,004	155.18%	14
Vivien Chen Wai Wai	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	14
Doutdes S.P.A. ("Doutdes")	Beneficial owner	—	148,659,004	148,659,004	155.18%	15
UFI Filters SPA	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	15
GGG SPA	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	15
G.G.G. S.A.	Beneficial owner	—	99,106,003	99,106,003	103.46%	16
Giorgio Girondi	Interest of controlled corporation	—	247,765,007	247,765,007	258.64%	15 & 16
Timeless	Beneficial owner	—	99,106,003	99,106,003	103.46%	17
Kenthomas Company Limited	Nominee	—	99,106,003	99,106,003	103.46%	17
KKR Group Investments II LLC ("KKR")	Beneficial Owner	—	89,080,460	89,080,460	99.22%	18

Report of the Directors

PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO (Cont'd)

Long positions in the shares and underlying shares ^(c) of the Company (Cont'd)

Substantial shareholders (interests related to preference shareholders) (Cont'd)

Name	Capacity	Number of Ordinary shares held	Number of Underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
George Rosenberg Roberts	Interest of controlled corporation	—	89,080,460	89,080,460	99.22%	18
Henry Roberts Kravis	Interest of controlled corporation	—	89,080,460	89,080,460	99.22%	18
Glint Delta II NV ("Glint")	Nominee	—	78,544,061	78,544,061	81.99%	19
Fentener Van Vlissingen Harold ("Harold")	Beneficial owner	—	78,544,061	78,544,061	81.99%	19
Rawlco Capital Ltd. ("Rawlco")	Beneficial owner	—	49,553,001	49,553,001	51.73%	20
Gordon Stanley Rawlinson	Interests of controlled corporation	—	49,553,001	49,553,001	51.73%	20
UBS España, S.A. ("UBS")	Nominee	—	128,441,377	128,441,377	134.08%	21
Angeles González Garcia	Interest of controlled corporation	—	49,553,001	49,553,001	51.73%	21
Jorge Garcia Gonzalez	Interest of controlled corporation	—	49,553,001	49,553,001	51.73%	21
Sphirantes	Nominee	—	49,553,001	49,553,001	51.73%	21
Cesar Molinas Sanz	Beneficial owner	—	17,343,550	17,343,550	18.10%	21
Kobrither, S.A.	Nominee	—	14,865,900	14,865,900	15.52%	21

Report of the Directors

PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO (Cont'd)

Long positions in the shares and underlying shares ^(c) of the Company (Cont'd)

Substantial shareholders (interests related to preference shareholders) (Cont'd)

Name	Capacity	Number of Ordinary shares held	Number of Underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
Antonio Del Cano Barbón	Interest of controlled corporation	—	14,865,900	14,865,900	15.52%	21
Ramón Suarez Beltrán	Beneficial owner	—	9,910,600	9,910,600	10.35%	21
Ricardo Sanz Ferrer	Beneficial owner	—	9,910,600	9,910,600	10.35%	21
Miguel Orúe-Echeverría	Beneficial owner	—	9,910,600	9,910,600	10.35%	21

Other persons (interests related to preference shareholders)

Name	Capacity	Number of Ordinary shares held	Number of Underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
Arcosilo, S.L.	Nominee	—	7,432,950	7,432,950	7.76%	21
Blanca Rueda Sabater	Interest of controlled corporation	—	7,432,950	7,432,950	7.76%	21
Fernando Rueda Sabater	Interest of controlled corporation	—	7,432,950	7,432,950	7.76%	21
Richardo de Ponga Bianco	Beneficial owner	—	5,946,360	5,946,360	6.21%	21

Report of the Directors

PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO (Cont'd)

Long positions in the shares and underlying shares ^(c) of the Company (Cont'd)

Other persons (interests related to ordinary shareholders)

Name	Capacity	Number of Ordinary shares held	Number of Underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
VSC BVI	Beneficial Owner	6,336,309	—	6,336,309	6.61%	22
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	22
				7,969,985	8.32%	
VSC	Interest of controlled corporation	6,336,309	—	6,336,309	6.61%	
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	
				7,969,985	8.32%	22 & 23
Huge Top	Beneficial owner	1,598,113	—	1,598,113	1.67%	
	Interest of controlled corporation	6,336,309	—	6,336,309	6.61%	
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	
			9,568,098	9.99%	22 to 24	

Report of the Directors

PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO (Cont'd)

Long positions in the shares and underlying shares ^(c) of the Company (Cont'd)

Other persons (interests related to ordinary shareholders) (Cont'd)

Name	Capacity	Number of Ordinary shares held	Number of Underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
Perfect Capital	Interest of controlled corporation	1,598,113	—	1,598,113	1.67%	
	Interest of controlled corporation	6,336,309	—	6,336,309	6.61%	
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	
				9,568,098	9.99%	22 to 24
Ms. Miriam Yao Che Li ("Ms. Yao")	Interest of controlled corporation	1,598,113	—	1,598,113	1.67%	
	Interest of controlled corporation	6,336,309	—	6,336,309	6.61%	
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	
				9,568,098	9.99%	22 to 25

Notes:

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

Report of the Directors

PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO (Cont'd)

Long positions in the shares and underlying shares^(e) of the Company (Cont'd)

Notes: (Cont'd)

3. Mr. Tsang was deemed to be interested in the 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 the 148,659,004 underlying shares. These 148,659,004 underlying shares were the same underlying shares referred to in note 13 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 was therefore deemed to be interested in 132,490,421 shares.
6. API wholly owned all the shares in NASA, which in turn held the single voting participating share of NASAC. API was therefore deemed to be interested in 132,490,421 shares.
7. These underlying shares were held by Goldman, 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 in turn was 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.
8. These underlying shares were held by Oikos, a company controlled by Walkers SPV Limited.
9. These underlying shares were held by Tiger, a company controlled by Mr. Chen Jong-Tai and Ms. Chen Wu, Feng-Tsai. Accordingly, both were taken to be interested in these underlying shares under the SFO by virtue of their interests in Tiger.
10. 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.
11. 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.
12. These underlying shares were held by Chevalier, a company 52.5% controlled by Mr. Chow Yei Ching and Miyakawa Michiko. Accordingly, both were taken to be interested in these underlying shares under the SFO by virtue of their interests in Chevalier.
13. 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 International Trustee Limited 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 were the same underlying shares referred to in note 3 above.

Report of the Directors

PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO (Cont'd)

Long positions in the shares and underlying shares ^(c) of the Company (Cont'd)

Notes: (Cont'd)

14. 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.
15. These underlying shares were held by Doutdes, a company 83.98% controlled by UFI Filters SPA which was in turn controlled by G.G.G. S.A., 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.
16. 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.
17. 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 were the same underlying shares referred to in note 2 of under "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above.
18. 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.
19. These underlying shares were held by Glint, a company 99% controlled by Harold. Accordingly, Harold was taken to be interested in these underlying shares under the SFO by virtue of its corporate interests in Glint.
20. 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.
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 Angeles González Garcia and Jorge Garcia Gonzalez; 17,343,500 underlying shares were held by Cesar Molinas Sanz; 14,865,900 underlying shares were held by Kobrither, S.A., a company controlled by Antonio Del Cano Barbón; each of Ramón Suarez Beltrán, Ricardo Sanz Ferrer and Miguel Orúe-Echeverría held 9,910,600 underlying shares; 7,432,950 underlying shares were held by Arcosilo, S.L., a company controlled by Blanca Rueda Sabater and Fernando Rueda Sabater; and 5,946,360 underlying shares were held by Richardo de Ponga Bianco.
22. VSC BVI owned 54% of the share capital of TN and was deemed to be interested in the 1,633,676 shares held by TN. VSC BVI directly owned 6,336,309 shares. VSC BVI was therefore directly and indirectly interested in an aggregate of 7,969,985 shares.
23. VSC owned the entire issued share capital of VSC BVI, VSC was therefore deemed to be interested in an aggregate of 7,969,985 shares.

Report of the Directors

PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO *(Cont'd)*

Long positions in the shares and underlying shares ^(e) of the Company *(Cont'd)*

Notes: (Cont'd)

24. Perfect Capital owned approximately 42.86% of the issued share capital of Huge Top. Huge Top was beneficially interested in approximately 47.05% of the issued share capital of VSC and Perfect Capital and Huge Top were therefore deemed to be interested in the 1,633,676 shares held by TN and the 6,336,309 shares held by VSC BVI. Huge Top also directly owned 1,598,113 shares. Huge Top was therefore directly and indirectly interested in an aggregate of 9,568,098 shares, and Perfect Capital was indirectly interested in the same aggregate interests.
25. Ms. Yao is one of the two directors for TN and Huge Top while the remaining director of these two companies is Mr. Yao who is the brother of Ms. Yao. Ms. Yao was therefore through Huge Top indirectly interested in an aggregate of 9,568,098 shares.

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 has an interest or short position in the securities 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 as at 31st March 2006.

Report of the Directors

SHARE OPTION SCHEME

Under the terms of the Company's share option scheme approved by the shareholders on 13th April 2000 (the "Old Scheme"), the Board may at their discretion, invite any full-time employees of the Company or any of the companies of the Group, including any executive Directors, to take up options to subscribe for shares. The Old Scheme became effective upon the listing of the shares on 20th April 2000 and was terminated on 10th June 2002. A new share option scheme has been adopted by the Company since 10th June 2002 (the "New Scheme") to replace the Old Scheme to comply with the current statutory requirements.

Details of movement in the share options to subscribe for shares granted to and held by certain Directors and employees during the year ended 31st March 2006 under the Old Scheme were as follows:

Name	Date of grant	Exercise price per share	Vesting period	Exercise period	Number of options			
					Beginning of year '000	Lapsed during the year '000	Cancelled during the year '000	End of year '000
Old Scheme								
<i>Directors:</i>								
Mr. Yao	7th November 2000	HK\$0.485	7th November 2000 to 7th November 2001	8th November 2001 to 12th April 2010	5,000	—	(5,000)	—
Mr. Desmond Fu Hay Ching	3rd July 2000	HK\$0.360	3rd July 2000 to 30th September 2001	1st October 2001 to 12th April 2010	250	—	(250)	—
	7th November 2000	HK\$0.485	7th November 2000 to 7th November 2001	8th November 2001 to 12th April 2010	11,500	—	(11,500)	—
<i>Employees:</i>								
In aggregate	3rd July 2000	HK\$0.360	3rd July 2000 to 30th September 2001	1st October 2001 to 12th April 2010	12,100	(500)	(11,600)	—
In aggregate	7th November 2000	HK\$0.485	7th November 2000 to 7th November 2001	8th November 2001 to 12th April 2010	25,900	(1,500)	(24,400)	—
					54,750	(2,000)	(52,750)	—
New Scheme								
In aggregate					—	—	—	—
					54,750	(2,000)	(52,750)	—

Report of the Directors

SHARE OPTION SCHEME (Cont'd)

During the year, no options under the Old Scheme were granted while 2,000,000 options granted under the Old Scheme were lapsed owing to the resignation of an employee. Upon termination of the Old Scheme on 10th June 2002, no further options were granted thereunder. However, the provisions of the Old Scheme remained in force and all options granted prior to such termination continued to be valid and exercisable in accordance therewith until the 52,750,000 outstanding options were cancelled by the shareholders of the Company at its special general meeting held on 14th July 2005. As at 31st March 2006, no options have been granted by the Company pursuant to the New Scheme.

CONNECTED TRANSACTIONS

Significant related party transactions undertaken in normal course of business are provided in note 33 to the accompanying accounts. Certain related party transactions also constituted as connected transactions under the GEM Listing Rules. The following connected transactions (as defined under the GEM Listing Rules) of the Group have been entered into and/or ongoing during the year ended 31st March 2006 for which relevant announcements, if necessary, had been made by the Company pursuant to the GEM Listing Rules.

A. Expired Continuing Connected Transactions

The following transactions had been approved by the shareholders of the Company on 17th April 2003 and the details of the transactions had been disclosed in the circular of the Company dated 31st March 2003 (the "2003 Circular"). All the following transactions expired on 31st March 2006.

1. Under the arrangement of a procurement services agreement dated 13th April 2000 entered into between Metal Logistics Company Limited ("ML"), a wholly-owned subsidiary of the Company, and Van Shung Chong Hong Limited ("VSCHL"), a wholly-owned subsidiary of VSC BVI, a substantial shareholder of the Company, ML agreed to provide and/or procure any of its subsidiaries, if applicable, to provide sourcing, purchasing and quality control services on steel coils to the VSC Group's (as defined below) coil centre operation in return for a procurement service fee is calculated at the rate of US\$5.00 per tonne for the first 24,000 tonnes and US\$2.00 per tonne in excess of 24,000 tonnes of steel coils sourced which represents a similar rate chargeable for such service in the market. The amount payable by the VSC Group has been capped at HK\$2,800,000 for the year ended 31st March 2004 and at HK\$3,000,000 for the year ended 31st March 2005 and at HK\$3,500,000 for the year ended 31st March 2006 according to the 2003 Circular.
2. Under the arrangement of a steel supply agreement dated 13th April 2000 entered into between ML and VSCHL, the VSC Group (as defined below) agreed to source and supply steel to the Group on and subject to the standard terms and conditions of purchase of the Group and the Group will reimburse the VSC Group at cost (including, but not limited to, insurance, transportation, warehousing costs incurred in respect of such supply, etc.). The total purchases made by the Group from the VSC Group have been capped at HK\$350 million for the year ended 31st March 2004 and at HK\$410 million for the year ended 31st March 2005 and at HK\$500 million for the year ended 31st March 2006 according to the 2003 Circular.

Report of the Directors

CONNECTED TRANSACTIONS *(Cont'd)*

A. Expired Continuing Connected Transactions *(Cont'd)*

3. VSC (the holding company of VSC BVI) and its subsidiaries and its associated companies (collectively the "VSC Group") may from time to time source/procure/distribute/sell steel products via the Group's iSteelAsia.com website, but there is no signed agreement between the VSC Group and the Group regarding these transactions. For each of the three years ended 31st March 2006, the annual sales of the VSC Group transacted via the trading platform at iSteelAsia.com have been capped at HK\$667 million per annum while the commission which may be earned by iSteelAsia.com from the VSC Group has been capped at HK\$10 million per annum according to the 2003 Circular.

The above expired continuing connected transactions have been reviewed by the independent non-executive Directors of the Company. The independent non-executive Directors have confirmed that the above expired continuing connected transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have also confirmed that the above expired continuing connected transactions (a) have received the approval of the Board; (b) are in accordance with the pricing policy of the Group if those transactions involve the provision of goods or services by the Group; (c) have been entered into in accordance with the relevant agreements governing the transactions; and (d) have not exceeded the respective caps agreed with the Stock Exchange.

B. Connected Transactions

The following transactions had been approved by the shareholders of the Company on 20th February 2006 and the details of the transactions had been disclosed in the circular of the Company dated 24th January 2006 (the "2006 Circular"):

1. Subscription Agreement with AICV

The Company entered into a subscription agreement dated 16th September 2005 ("AICV Subscription Agreement") with AICV pursuant to which AICV agreed to subscribe for 148,659,004 preference shares under the Placement (as defined in the 2006 Circular) at an aggregate subscription price of HK\$23,280,000. The completion of the AICV Subscription Agreement was taken place on 28th February 2006. AICV is a venture capital fund managed by Mr. Tsang who is a substantial shareholder of the Company.

Report of the Directors

CONNECTED TRANSACTIONS *(Cont'd)*

B. Connected Transactions *(Cont'd)*

2. Subscription Agreement with Timeless

The Company entered into a subscription agreement dated 26th September 2005 ("Timeless Subscription Agreement") with Timeless pursuant to which Timeless agreed to subscribe for 99,106,003 preference shares under the Placement (as defined in the 2006 Circular) at an aggregate subscription price of HK\$15,520,000. The completion of the Timeless Subscription Agreement was taken place on 2nd March 2006. Timeless is a company wholly and beneficially owned by Mr. Henry Cho Kim who is an executive Director of the Company.

3. Waiver Agreement

The Company entered into a waiver agreement dated 22nd February 2006 with NASAC and Mr. Tsang whereas NASAC and Mr. Tsang, the holders of the convertible bonds, and the Company have agreed to waive any requirement to adjust the conversion price of the convertible bonds arising from the Placement (as defined in the 2006 Circular), including any subsequent conversion of the preference shares into ordinary shares of the Company. NASAC and Mr. Tsang are substantial shareholders of the Company.

C. Continuing Connected Transaction

1. The Company entered into a services agreement dated 29th September 2005 (as amended and restated on 30th December 2005) with NASA (the "Services Agreement") pursuant to which NASA shall provide service to the Group covering fund raising, market and industry research, investor sourcing, investment sourcing, investment analysis and due diligence, and financial advisory under the overall control and supervision of the Board during the 3 year-term, commencing on 1st April 2006 and shall continue until the termination of the Services Agreement in accordance with its term. Pursuant to the Services Agreement, the Company shall pay fees to NASA for the services rendered by it. The annual cap amounts of the fees payable to NASA (including annual service fee, incentive fee and placing fee) are set at HK\$260 million for each of the three financial years ending 31st March 2007, 2008 and 2009. Details of the Services Agreement are set out in the 2006 Circular. NASA is the holding company of NASAC which is a substantial shareholder of the Company.

D. Continuing Connected Transactions exempt from reporting, announcement and approval requirements

1. Sub-tenancy Agreement

The Group entered into a sub-tenancy agreement dated 30th September 2005 with Ajia Partners (Hong Kong) Limited ("APHK") for leasing portion of the office on 78th Floor, The Center, Queen's Road Central, Hong Kong for a term commencing on 9th August 2005 and expiring on 31st March 2008 at a monthly rental of approximately HK\$75,000. For the year ended 31st March 2006, the aggregate rental incurred in respect of the sub-tenancy amounted to approximately HK\$583,000. APHK is an associate of NASAC who is a substantial shareholder of the Company.

Report of the Directors

CONNECTED TRANSACTIONS (Cont'd)

D. Continuing Connected Transactions exempt from reporting, announcement and approval requirements (Cont'd)

2. Administrative Services Agreement

The Group entered into an administrative services agreement dated 28th September 2005 with APHK whereas APHK have agreed to provide general administrative services to the Group for the period from 9th August 2005 to 30th June 2006 at a monthly service fee of approximately HK\$77,000. For the year ended 31st March 2006, the service fee incurred amounted to approximately HK\$598,000. APHK is an associate of NASAC who is a substantial shareholder of the Company.

DIRECTORS' INTEREST IN CONTRACTS

Mr. Yao and/or his associates have interests in the following agreements during the year ended 31st March 2006:

- (i) the subscription agreement dated 19th May 2005 entered into among the Company, NASAC, Mr. Tsang and Huge Top in relation to the subscription ("the Subscription") of 63,856,960 ordinary shares and convertible bonds with an aggregate principal amount of HK\$20 million, issued by the Company to NASAC and Mr. Tsang, which are convertible into new ordinary shares at an initial conversion price of HK\$0.1566 per ordinary share (subject to adjustments) pursuant to the terms of the subscription agreement therein;
- (ii) the deed of indemnity dated 19th May 2005 made among Huge Top, Mr. Yao, the Company, NASAC and Mr. Tsang in conjunction with the Subscription. Pursuant to the deed, Huge Top has given certain indemnities and undertaking in favour of the Company regarding the maintenance of the consolidated net asset value of the group of companies engaging in the steel trading business of the Group at a level equal to or exceeding HK\$5 million after completion of the Ajia Parties Subscription Agreement (as defined in circular of the Company dated 20th June 2005); and
- (iii) the underwriting agreement dated 19th May 2005 made between the Company and VSC BVI relating to the underwriting of the ordinary shares pursuant to the open offer detailed in the prospectus of the Company dated 21st July 2005.

Save as disclosed above and in the section headed "Connected Transactions", no contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which any of the Company's Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the financial year.

Report of the Directors

MANAGEMENT CONTRACTS

Save as disclosed in the section headed “Connected Transactions”, no contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the financial year.

COMPETING INTERESTS

Mr. Andrew Yao Cho Fai, an executive Director of the Company, is the Chairman and Chief Executive Officer of VSC. According to the 2005/06 interim report of VSC, Huge Top held 173,424,000 shares (approximately 47.05%) in VSC as at 30th September 2005 and Mr. Yao is one of the two directors of Huge Top. Mr. Yao directly held approximately 11.91% and indirectly held approximately 42.86% of the issued share capital of Huge Top. Mr. Yao also has personal interests in 1,614,000 shares (approximately 0.44%) in VSC as at 30th September 2005. VSC is also engaged in steel trading business. The Directors believe that there is a risk that such business may compete with those of the Group. However, the Directors are also of the view that the invaluable experience of Mr. Yao in the steel industry will complement the development of the Group’s business.

Save as disclosed above, none of the Directors or the management shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March 2006, the five largest customers of the Group accounted for approximately 77% of the Group’s total turnover while the five largest suppliers of the Group accounted for approximately 96% of the Group’s total purchases.

For the year ended 31st March 2006, VSC, an initial management shareholder of the Company as defined in the GEM Listing Rules, was the largest supplier of the Group and accounted for approximately 49% of the Group’s total purchases. VSC Group has granted the Group a normal credit period with respect to such purchases. Mr. Yao, an executive Director of the Company, is the Chairman and Chief Executive Officer of VSC and he is deemed, under the SFO, to have controlling interest in VSC.

Save as disclosed above, none of the Directors, their associates, or any shareholders (which to the knowledge of the Directors owned more than 5% of the Company’s share capital) had a beneficial interest in the Group’s five largest customers and suppliers.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities for the year ended 31st March 2006.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on publicly available information, the Company maintains a sufficient public float of more than 15% of the issued ordinary shares as at the date of this report.

SUBSEQUENT EVENT

Subsequent to year end, on 26th May 2006, the Company entered into a non-legally binding term sheet with Autron Corporation Limited (“Autron”), a leading assembly equipment solutions provider to the electronics manufacturing industry and listed on the Main Boards of both the Singapore and Australian Stock Exchanges, for a possible investment in its new shares and convertible bonds totaling up to approximately HK\$372 million (equivalent of approximately US\$48 million). As at the date of this report, due diligence on Autron is in progress but the Company has not entered into any definitive investment agreements with Autron.

INFORMATION OF COMPLIANCE OFFICER, QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

The compliance officer of the Company is Mr. Savio Chow Sing Nam. Mr. Chow is the executive Director and Chief Executive Officer of the Company. Biographical details of Mr. Chow is set out on page 12 of this annual report.

The qualified accountant of the Company is Ms. Grace Luk Pui Yin. She is the chief financial officer of the Company. Biographical details of Ms. Luk is set out on page 14 of this annual report.

The company secretary of the Company is Ms. Lam Yee Fan. She has over 10 years of company secretarial experience at 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.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 15 to 20 of this annual report.

AUDITORS

PricewaterhouseCoopers were auditors of the Company for the three years ended 31st March 2006. The accompanying accounts were audited by PricewaterhouseCoopers. A resolution for their re-appointment as the Company’s auditors for the ensuing year will be proposed at the forthcoming annual general meeting.

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

Hong Kong, 21st June 2006

Auditors' Report 核數師報告



羅兵咸永道會計師事務所

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

致北亞策略控股有限公司 全體股東之核數師報告

(於百慕達註冊成立之有限公司)

AUDITORS' REPORT TO THE SHAREHOLDERS OF NORTH ASIA STRATEGIC HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

本核數師已完成審核刊載於第46頁至第108頁按照香港普遍採納之會計原則編製的賬目。

We have audited the financial statements on pages 46 to 108 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

董事及核數師的責任

貴公司的董事須負責編製真實與公平的財務報表。在編製該等真實與公平的財務報表時，董事必須選擇及貫徹地採用合適的會計政策。

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

本核數師的責任是根據審核工作之結果，對該等財務報表作出獨立意見，並按照百慕達1981年《公司法》第90條僅向整體股東報告，除此之外本報告別無其他目的。本核數師不會就本報告的內容向任何其他人士負上或承擔任何責任。

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

意見的基礎

本核數師已按照香港會計師公會頒佈的香港核數準則進行審核工作。審核範圍包括以抽查方式查核與財務報表所載數額及披露事項有關的憑證，亦包括評估董事於編製該等財務報表時所作之重大估計和判斷，所採用之會計政策是否適合貴公司與貴集團之具體情況，及有否貫徹應用並足夠披露該等會計政策。

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

Auditors' Report 核數師報告

意見的基礎 (續)

本核數師在策劃和進行審核工作時，均以取得所有本核數師認為必需之資料及解釋為目標，以便獲得充份憑證，就該等財務報表是否存有重要錯誤陳述，作出合理之確定。在作出意見時，本核數師已評估該等財務報表所載之資料在整體上是否足夠。本核數師相信我們之審核工作已為下列意見建立合理之基礎。

意見

本核數師認為，上述之財務報表足以真實兼公平地顯示 貴公司與 貴集團於二零零六年三月三十一日結算時之財務狀況及 貴集團截至該日止年度之虧損及現金流量，並根據香港公司條例之披露規定妥為編製。

羅兵咸永道會計師事務所
執業會計師

香港，二零零六年六月二十一日

BASIS OF OPINION (Cont'd)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21st June 2006

Consolidated Income Statement 綜合收益表

For the year ended 31st March 2006 截至二零零六年三月三十一日止年度

		附註 Note	二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
收入	Revenue			
— 銷售	— Sales		355,426	854,564
— 佣金	— Commission		4,522	5,121
			359,948	859,685
銷售成本	Cost of sales		(354,154)	(828,580)
毛利	Gross profit		5,794	31,105
其他淨收益	Other gains — net	20	5,051	2,087
銷售及分銷費用	Selling and distribution expenses		(2,180)	(7,494)
一般及行政費用	General and administrative expenses		(22,364)	(25,139)
經營(虧損)/溢利	Operating (loss)/profit		(13,699)	559
財務費用	Finance costs	23	(3,296)	(5,056)
除所得稅前虧損	Loss before income tax		(16,995)	(4,497)
所得稅撥回/(支出)	Income tax credit/(expense)	24	5,007	(5,946)
本公司權益持有人 應佔年內虧損	Loss for the year, attributable to equity holders of the Company	25	(11,988)	(10,443)
本公司權益持有人 應佔每股虧損	Loss per share for loss attributable to the equity holders of the Company			
— 基本	— Basic	26	HK(17.7) cents	HK(65.4) cents

附註為此等綜合財務報表之整體部分。

The notes are an integral part of these consolidated financial statements.

Balance Sheets 資產負債表

As at 31st March 2006 於二零零六年三月三十一日

		附註 Note	綜合 Consolidated		本公司 Company	
			二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000	二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
非流動資產	Non-current assets					
廠房及設備	Plant and equipment	6	478	1,411	—	—
網站開發成本	Website development costs	7	6	21	—	—
長期投資	Long-term investment	8	—	780	—	—
於附屬公司之投資及 應收附屬公司款項	Investments in and amounts due from subsidiaries	9	—	—	—	1
應收認購款項，非流 動部分	Subscription receivables, non-current portion	18	494,135	—	494,135	—
非流動資產總額	Total non-current assets		494,619	2,212	494,135	1
流動資產	Current assets					
存貨	Inventories	10	26,399	94,936	—	—
購貨按金	Deposits for purchase of inventories		—	27,387	—	—
貿易應收款項	Trade receivables	11	115	3,977	—	—
預付款項、按金及 其他應收款項	Prepayments, deposits and other receivables	12	16,745	7,893	707	30
應收附屬公司款項	Amounts due from subsidiaries	33	—	—	3,000	—
應收認購款項， 流動部分	Subscription receivables, current portion	18	271,410	—	271,410	—
已抵押銀行存款	Pledged bank deposits	13	3,055	16,080	—	13,049
現金及現金等值項目	Cash and cash equivalents	13	292,847	13,263	289,941	12
流動資產總額	Total current assets		610,571	163,536	565,058	13,091
流動負債	Current liabilities					
短期銀行借貸	Short-term bank borrowings	14	—	(24,360)	—	—
貿易應付款項	Trade payables	15	(36,916)	(121,018)	—	—
應計負債及其他 應付款項	Accruals and other payables	16	(2,545)	(7,441)	(1,920)	(71)
預收款項	Receipts in advance		(792)	(5,256)	—	—
流動所得稅負債	Current income tax liabilities		(700)	(5,536)	—	—
流動負債總額	Total current liabilities		(40,953)	(163,611)	(1,920)	(71)
流動資產／(負債) 淨額	Net current assets/(liabilities) 淨額		569,618	(75)	563,138	13,020
資產總額減流動負債	Total assets less current liabilities		1,064,237	2,137	1,057,273	13,021

Balance Sheets 資產負債表

As at 31st March 2006 於二零零六年三月三十一日

		附註 Note	綜合 Consolidated		本公司 Company	
			二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000	二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
非流動負債	Non-current liabilities					
應付附屬公司款項	Amounts due to subsidiaries	33	—	—	—	(3,907)
可換股債券	Convertible bonds	17	(14,642)	—	(14,642)	—
非流動負債總額	Total non-current liabilities		(14,642)	—	(14,642)	(3,907)
資產淨額	Net assets		1,049,595	2,137	1,042,631	9,114
權益	Equity					
本公司權益持有人 應佔股本及儲備：	Capital and reserves attributable to equity holders of the Company:					
股本	Share capital	18	74,790	159,659	74,790	159,659
儲備	Reserves	19	974,805	(157,522)	967,841	(150,545)
股東權益	Shareholders' equity		1,049,595	2,137	1,042,631	9,114

於二零零六年六月二十一日獲董事會批准：

Approved by the Board of Directors on 21st June 2006:

Göran Sture Malm
主席兼執行董事
Göran Sture Malm
Chairman and Executive Director

周勝南
執行董事兼行政總裁
Savio Chow Sing Nam
Executive Director and Chief Executive Officer

附註為此等綜合財務報表之整體部分。

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity 綜合股東權益變動表

For the year ended 31st March 2006 截至二零零六年三月三十一日止年度

		本公司權益持有人應佔 Attributable to equity holders of the Company		
		股本 Share capital	儲備 Reserves	總額 Total
		千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000
	附註 Note			
於二零零四年四月一日之結餘	Balance at 1st April 2004	159,638	(146,993)	12,645
年內虧損	Loss for the year	—	(10,443)	(10,443)
匯兌調整	Translation adjustments	—	(86)	(86)
一項長期投資之公平值變動	Change in fair value of a long-term investment	—	548	548
因出售一項長期投資而釋放	Realised upon disposal of a long-term investment	—	(548)	(548)
因行使認股權證而發行普通股	Issue of ordinary shares upon exercise of warrants	21	—	21
於二零零五年三月三十一日及 二零零五年四月一日之結餘	Balance at 31st March 2005 and 1st April 2005	159,659	(157,522)	2,137
年內虧損	Loss for the year	—	(11,988)	(11,988)
股本重組	Capital reorganisation	18	159,529	—
發行普通股	Issue of ordinary shares	18	—	—
— 因行使認股權證	— upon exercise of warrants	30	—	30
— 根據認購協議	— under a subscription agreement	639	9,361	10,000
— 根據公開發售	— under an open offer	159	2,341	2,500
發行優先股	Issue of preference shares	73,832	980,764	1,054,596
股份發行費用	Share issue expenses	—	—	—
— 普通股	— ordinary shares	—	(2,186)	(2,186)
— 優先股	— preference shares	—	(12,173)	(12,173)
可換股債券	Convertible bonds	—	—	—
— 權益部分	— equity component	17	6,388	6,388
匯兌調整	Translation adjustments	—	291	291
於二零零六年三月三十一日 之結餘	Balance at 31st March 2006	74,790	974,805	1,049,595

附註為此等綜合財務報表之整體部分。

The notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement 綜合現金流量表

For the year ended 31st March 2006 截至二零零六年三月三十一日止年度

			二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
		附註 Note		
經營業務之現金流量	Cash flows from operating activities			
營運所產生之現金流出淨額	Net cash outflow generated from operations	27(a)	(6,028)	(52,249)
已付利息	Interest paid		(2,266)	(5,056)
已付中國內地企業所得稅	Mainland China enterprise income tax paid		—	(2,096)
已退回中國內地企業所得稅	Mainland China enterprise income tax refunded		172	473
經營業務使用之現金淨額	Net cash used in operating activities		(8,122)	(58,928)
投資活動之現金流量	Cash flows from investing activities			
已收一項投資之股息	Dividend received from an investment		—	659
長期投資之增加	Increase in long-term investment		—	(780)
出售投資所得款項	Proceeds from disposal of investments		—	26,447
出售附屬公司之現金， 扣除出售所得款項	Cash disposed of by sale of subsidiaries, net of proceeds of sale	27(c)	(9,506)	(1,396)
添置廠房及設備	Additions of plant and equipment	6	(113)	(190)
出售廠房及設備所得款項	Proceeds from sales of plant and equipment	27(b)	15	129
添置網站開發成本	Additions of website development costs		—	(5)
已收利息	Interest received		1,000	580
已抵押銀行存款之減少	Decrease in pledged bank deposits		13,025	18,359
投資活動所產生之現金淨額	Net cash generated from investing activities		4,421	43,803
融資活動之現金流量	Cash flows from financing activities			
發行普通股	Issue of ordinary shares		12,530	21
發行可換股債券	Issue of convertible bonds		20,000	—
發行優先股	Issue of preference shares		289,050	—
股份發行費用	Share issue expenses		(13,935)	—
新增短期銀行貸款	New short-term bank loans		—	6,615
償還短期銀行貸款	Repayment of short-term bank loans		(24,360)	(9,450)
信託收據銀行貸款之減少淨額	Net decrease in trust receipts bank loans		—	(24,231)
融資活動所產生/(使用) 之現金淨額	Net cash generated from/(used in) financing activities		283,285	(27,045)
現金及銀行結餘之增加/(減少) 淨額	Net increase/(decrease) in cash and bank balances			
現金及現金等值項目之增加/ (減少)	Increase/(Decrease) in cash and cash equivalents		279,584	(42,170)
年初之現金及銀行結餘	Cash and bank balances at beginning of the year		13,263	55,433
年終之現金及銀行結餘	Cash and bank balances at end of the year		292,847	13,263

附註為此等綜合財務報表之整體部分。

The notes are an integral part of these consolidated financial statements.

Notes to the Financial Statements 財務報表附註

1. 一般資料

北亞策略控股有限公司(「本公司」)及其附屬公司(合稱「本集團」)主要從事鋼材產品貿易、提供鋼材產品之採購服務(包括經營電子商貿縱向入門網站以提供網上鋼材貿易服務及輔助服務)，及投資控股。

本公司為根據百慕達一九八一年公司法於百慕達註冊成立之獲豁免有限公司。其註冊辦事處之地址為Clarendon House, 2 Church Street, Hamilton HM11, Bermuda，而其主要營業地點之地址為香港皇后大道中99號中環中心78樓。

本公司股份於香港聯合交易所有限公司(「聯交所」)創業板上市。

除另有說明外，此等財務報表以港元列值。

此等財務報表於二零零六年六月二十一日獲本公司董事會批准刊發。

2. 重要會計政策概要

編製此等財務報表採用之主要會計政策載於下文。除另有說明外，此等政策在所呈報之所有年度內貫徹應用。

2.1 編製基準

本公司之財務報表乃根據香港財務報告準則及香港會計準則(「香港會計準則」)(合稱「香港財務報告準則」)編製。本財務報表乃根據歷史成本慣例編製。

1. GENERAL INFORMATION

North Asia Strategic Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in trading of steel products, provision of 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 investment holding.

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 78th Floor, 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 (“the Stock Exchange”).

These financial statements are presented in HK dollars, unless otherwise stated.

These financial statements have been approved for issue by the Company’s Board of Directors on 21st June 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements 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 statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“HKAS”) (collectively the “HKFRS”). The financial statements have been prepared under the historical cost convention.

Notes to the Financial Statements 財務報表附註

2. 重要會計政策概要 (續)

2.1 編製基準 (續)

編製符合香港財務報告準則之財務報表需要使用若干關鍵會計估計。這亦需要管理層在應用本公司會計政策過程中行使其判斷。涉及高度判斷或複雜性之範疇，或涉及對財務報表屬重大假設及估計之範疇，於附註4披露。該等估計及假設影響於財務報表日期之資產及負債之呈報金額以及或然資產及負債之披露以及年內收入及支出之呈報金額。儘管該等估計乃根據管理層所知事件及行動作出，惟實際結果可能與該等估計有所不同。

採納新頒佈／經修訂香港財務報告準則

於截至二零零六年三月三十一日止年度內，本集團採納下列與其業務相關之新頒佈／經修訂香港財務報告準則及詮釋。二零零五年之比較數字已按有關規定作出修訂(如需要)。

香港會計準則第1號	財務報表之呈列
香港會計準則第2號	存貨
香港會計準則第7號	現金流動表
香港會計準則第8號	會計政策、會計估計的變更及差錯
香港會計準則第10號	資產負債表日以後事項
香港會計準則第16號	物業、廠房及設備
香港會計準則第17號	租賃
香港會計準則第21號	外幣匯率變更的影響
香港會計準則第23號	借款費用
香港會計準則第24號	關聯方披露
香港會計準則第27號	綜合及獨立財務報表
香港會計準則第32號	金融工具：披露及呈列
香港會計準則第33號	每股盈利
香港會計準則第36號	資產耗蝕
香港會計準則第38號	無形資產
香港會計準則第39號	金融工具：確認及計量
香港財務報告準則第2號	以股份支付的支出
香港財務報告準則第3號	業務合併

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

The preparation of financial statements 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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the years. Although these estimates are based on management's best knowledge of event and actions, actual results ultimately may differ from these estimates.

The adoption of new/revised HKFRS

During the year ended 31st March 2006, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

Notes to the Financial Statements 財務報表附註

2. 重要會計政策概要 (續)

2.1 編製基準 (續)

採納新頒佈／經修訂香港財務報告準則 (續)

採納香港會計準則第1、2、7、8、10、16、17、21、23、24、27、33、36、38號及香港財務報告準則第3號對本集團之會計政策並無帶來重大改變。總括而言：

- 香港會計準則第1號對若干披露之呈列有所影響。
- 香港會計準則第2、7、8、10、16、17、23、27、33、36及38號及香港財務報告準則第3號對本集團之政策沒有重大影響。
- 香港會計準則第21號對本集團之政策沒有重大影響。所有綜合公司之功能貨幣已各自按照修訂標準而重新評估，本集團之公司的功能貨幣跟用作各公司之財務報表之呈報貨幣相同。
- 香港會計準則第24號對關聯方之辨識以及若干其他關聯方之披露有所影響。
- 採納香港會計準則第32及39號導致有關金融資產及負債之分類及會計處理之會計政策有變。
- 採納香港財務報告準則第2號導致有關以股份支付的支出之會計政策有變。於以往年度，向僱員提供購股權並不會產生收益表支出。自本年度起，本集團將購股權成本於收益表中列為支出。香港財務報告準則第2號之過渡條文要求二零零二年十一月七日後授出而於二零零五年一月一日仍未歸屬之購股權成本追溯到有關期間之收益表中列為支出。然而，由於二零零二年十一月七日後並無授出購股權，故採納香港財務報告準則第2號對本集團之政策沒有重大影響。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

The adoption of new/revised HKFRS (Cont'd)

The adoption of HKASs 1, 2, 7, 8, 10, 16, 17, 21, 23, 24, 27, 33, 36, 38 and HKFRS 3 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of certain disclosures.
- HKASs 2, 7, 8, 10, 16, 17, 23, 27, 33, 36 and 38 and HKFRS 3 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for the respective entity financial statements.
- HKAS 24 has affected the identification of related parties and some other related party disclosures.
- The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification and accounting treatment of financial assets and liabilities commencing from the current year.
- The adoption of HKFRS 2 has resulted in a change in accounting policy for share-based payments. In prior years, the provision of share options to employees did not result in an expense in the income statement. Commencing from the current year, the Group expenses the cost of share options in the income statement. The transitional provision of HKFRS 2 requires the cost of share options granted after 7th November 2002 and had not yet vested on 1st January 2005 be expensed retrospectively in the income statement of the respective periods. However, as no share options were granted after 7th November 2002, the adoption of HKFRS 2 had no material effect on the Group's policy.

Notes to the Financial Statements 財務報表附註

2. 重要會計政策概要 (續)

2.1 編製基準 (續)

採納新頒佈／經修訂香港財務報告準則 (續)

本集團已根據各有關準則之過渡條文對會計政策作出所有變更(如適用)。本集團採納之所有準則均需要追溯應用，惟以下除外：

- 香港會計準則第16號 — 在互換資產交易所購入之物業、廠房及設備項目之初步計量按公平值入賬，僅就生效日期起之未來交易適用；
- 香港會計準則第21號 — 由生效日期起將商譽及公平值調整作為海外業務之一部分記賬；
- 香港會計準則第39號 — 此準則不容許追溯確認、不確認及計量金融資產及負債；
- 香港財務報告準則第2號 — 僅對二零零二年十一月七日後授出但於二零零五年一月一日仍未歸屬之所有股權工具作追溯應用；及
- 香港財務報告準則第3號 — 由二零零五年一月一日起在未來應用。

本集團並無提早採納下列已頒佈但仍未生效之新頒佈準則或詮釋或修訂。本公司董事及本集團管理層預期，於未來期間採納此等準則或詮釋或修訂將不會令本集團之財務報表構成重大影響。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

The adoption of new/revised HKFRS (Cont'd)

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, whenever applicable. All standards adopted by the Group require retrospective application other than:

- HKAS 16 — the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;
- HKAS 21 — prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- HKAS 39 — does not permit recognition, derecognition and measurement of financial assets and liabilities in accordance with this standard on a retrospective basis;
- HKFRS 2 — only retrospective application for equity instruments granted after 7th November 2002 and not vested at 1st January 2005; and
- HKFRS 3 — prospectively after 1st January 2005.

The Group has not early adopted the following new Standards or Interpretations or Amendments that have been issued but are not yet effective. The Company's Directors and the Group's management anticipate that the adoption of these Standards or Interpretations or Amendments in future periods will have no material impact on the financial statements of the Group.

Notes to the Financial Statements 財務報表附註

2. 重要會計政策概要 (續)

2.1 編製基準 (續)

採納新頒佈／經修訂香港財務報告準則 (續)

香港會計準則第1號 (修訂)	財務報表之呈列： 資本項目的披露
香港會計準則第19號 (修訂)	精算盈虧、集團 計劃及披露
香港會計準則第21號 (修訂)	海外業務之淨投資
香港會計準則第39號 (修訂)	預測集團內部交易 之現金流量對沖 交易會計
香港會計準則第39號 (修訂)	公平值選擇
香港會計準則第39號及 香港財務報告準則 第4號(修訂)	財務擔保合約
香港財務報告準則 第1號(修訂)	首次採納香港財務 報告準則
香港財務報告準則第6號	礦產資源之開採 及評估
香港財務報告準則第7號	金融工具： 披露事項
香港財務報告準則 — 詮釋第4號	釐定一項安排是否 包含租賃
香港財務報告準則 — 詮釋第5號	對拆卸、復原及環 境修復基金所產生 之權益之權利
香港(國際財務報告 準則)詮釋委員會) — 詮釋第6號	參與特定市場 — 廢物電業及電子 設備所產生之負 債
香港(國際財務報告 準則)詮釋委員會) — 詮釋第7號	根據香港會計準則 第29號惡性通貨 膨脹經濟中之財 務申報應用重列 法

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

The adoption of new/revised HKFRS (Cont'd)

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intra-group Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies

Notes to the Financial Statements 財務報表附註

2. 重要會計政策概要 (續)

2.2 綜合基準

綜合財務報表包括本公司及其附屬公司截至三月三十一日止之財務報表。

附屬公司指本集團有權管控其財務及營運政策而控制所有公司(包括特殊目的公司)，一般附帶過半數投票權之股權。在評定本集團是否控制另一公司時，目前可行使或可兌換之潛在投票權之存在及影響均予考慮。

附屬公司在控制權轉移至本集團之日全面綜合入賬。附屬公司在該控制權終止之日起停止綜合入賬。

會計收購法乃用作本集團收購附屬公司之入賬方法。收購之成本根據於交易日期所給予資產、所發行之股權工具及所產生或承擔之負債之公平值計量，另加該收購直接應佔之成本。在業務合併中所收購之可辨識資產以及所承擔之負債及或然負債，首先以彼等於收購日期之公平值計量，而不論任何少數股東權益之數額。收購成本超過本集團應佔所收購可辨識資產淨值公平值之數額記錄為商譽。倘收購成本低於所收購附屬公司資產淨值之公平值，該差額直接於收益表確認。

集團公司之間之公司間交易、交易之結餘及未變現收益予以對銷。除非交易提供所轉讓資產減值之憑證，否則未變現虧損亦予以對銷。

於本公司之資產負債表內，於附屬公司之投資乃按成本值減累計減值虧損(如有)列賬。本公司將附屬公司之業績按已收及應收股息之基準入賬。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st March.

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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet the investments in subsidiaries are stated at cost less accumulated impairment losses, if any. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

Notes to the Financial Statements 財務報表附註

2. 重要會計政策概要 (續)

2.3 分類申報

業務分類指從事提供產品或服務之一組資產及業務，而其產品或服務之風險和回報與其他業務分類者不同。地區分類指在某個特定經濟環境中從事提供產品或服務，而其產品或服務之風險和回報與在其他經濟環境中營運之分類者不同。

2.4 外幣換算

(a) 功能及呈報貨幣

本集團各公司之財務報表所列項目均以該公司營運所在之主要經濟環境之貨幣計量（「功能貨幣」）。綜合財務報表以港元列值，港元為本公司之功能及呈報貨幣。

(b) 交易及結餘

外幣交易採用交易日期之現行匯率換算為功能貨幣。結算此等交易產生之匯兌盈虧以及將以外幣為單位之貨幣資產及負債以年終匯率換算產生之匯兌盈虧乃於收益表確認。

(c) 集團公司

功能貨幣與呈報貨幣不同之所有集團公司（當中沒有嚴重通脹貨幣）之業績及財務狀況按以下方式換算為呈報貨幣：

- (i) 每份呈報之資產負債表內之資產及負債按該資產負債表日期之收市匯率換算：

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 consolidated financial statements are presented in Hong Kong dollar, which is the Company's functional and 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.

(c) Group companies

The results and financial position of all the group entities (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;

Notes to the Financial Statements 財務報表附註

2. 重要會計政策概要 (續)

2.4 外幣換算 (續)

(c) 集團公司 (續)

- (ii) 每份收益表內之收支按平均匯率換算(除非此匯率並不代表交易日期匯率之累計影響之合理約數;則在此情況下,收支項目按交易日期之匯率換算);及
- (iii) 所有由此產生之匯兌差額確認為權益之獨立組成項目。

於綜合賬目時,換算海外公司之淨投資,以及換算借貸及其他指定作為該等投資對沖之貨幣工具所產生之匯兌差額列入股東權益。當出售一項海外業務時,該等匯兌差額於收益表確認為出售盈虧之一部分。

收購海外公司產生之商譽及公平值調整視為該海外公司之資產及負債,並按收市匯率換算。

2.5 非金融資產減值

須作折舊及攤銷之資產,每當有事件出現或情況改變顯示賬面值可能無法收回時會進行減值檢討。減值虧損按資產之賬面值超出其可收回金額之差額確認。可收回金額以資產之公平值減銷售成本或使用價值兩者之較高者為準。就評估減值而言,資產乃按獨立可辨識現金流量(現金產生單位)之最低層次組合。出現減值之非金融資產(商譽除外)於各申報日期進行可能撥回減值之檢討。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.4 Foreign currency translation (Cont'd)

(c) Group companies (Cont'd)

- (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 entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences 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 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation 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 (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Financial Statements 財務報表附註

2. 重要會計政策概要 (續)

2.6 廠房及設備

廠房及設備按歷史成本減累計折舊及累計減值虧損(如有)列賬。歷史成本包括收購該等項目直接應佔之開支。

其後成本只有在與該項目有關之未來經濟利益有可能流入本集團，而該項目之成本能夠可靠計量時，才會計入資產之賬面值或確認為獨立資產(按適用)。所有其他維修及保養在產生之期間內於收益表列為支出。

廠房及設備之折舊採用以下估計可使用年期將成本值按直線法分攤至剩餘價值計算：

— 租賃物業裝修及傢俬	3至5年
— 辦公室設備	3至5年
— 汽車	5年

資產之剩餘價值及可使用年期於各結算日進行檢討，及在適當時調整。

倘資產之賬面值高於其估計可收回金額，則其賬面值即時撇減至其可收回金額。

出售盈虧乃透過將所得款項與賬面值作比較而釐定，並自收益表扣除。

2.7 存貨

存貨包括鋼材產品之製成品，並按成本值及可變現淨值兩者之較低者列賬。成本採用先入先出法釐定，並包括直接採購成本及將存貨達致其現時地點及狀況所產生之成本。可變現淨值為在日常業務過程中之估計售價，減適用之可變銷售費用。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.6 Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. 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. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

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

— Leasehold improvements and furniture	3 to 5 years
— Office equipment	3 to 5 years
— Motor vehicles	5 years

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.

2.7 Inventories

Inventories comprise of finished goods of steel products and are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method and comprises the direct costs of merchandise and costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Notes to the Financial Statements 財務報表附註

2. 重要會計政策概要 (續)

2.8 貿易及其他應收款項

貿易及其他應收款項初步以公平值確認，其後採用實際利率法按攤銷成本減累計減值虧損(如有)計量。當有客觀憑證證明本集團將無法按應收款項之原有條款收回所有款項時，即就貿易及其他應收款項設定減值撥備。債務人出現重大經濟困難、債務人有可能進行破產或財務重組及欠繳或拖欠債務，均會被視為貿易應收款項減值之跡象。撥備金額為資產賬面值與按實際利率貼現之估計未來現金流量之現值兩者之差額。撥備金額於收益表確認為一般及行政費用。

2.9 現金及現金等值項目

現金及現金等值項目包括手頭現金、銀行通知存款、原到期日為三個月或以下之其他短期高流動性投資，以及銀行透支。銀行透支於資產負債表之流動負債內借貸中列示。

2.10 股本

普通股及不可贖回優先股分類為權益。

直接歸屬於發行新股或購股權之新增成本在權益中列為所得款項之減少(扣除稅項)。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.8 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, if any. 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 effective interest rate. The amount of the provision is recognised in the income statement within general and administrative expenses.

2.9 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.

2.10 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.

Notes to the Financial Statements 財務報表附註

2. 重要會計政策概要 (續)

2.11 借貸

借貸初步按公平值並扣除產生之交易成本確認。交易成本為取得、發行或出售某項金融資產或金融負債直接應佔之新增成本，包括支付予代理人、顧問、經紀及交易商之費用及佣金、監管機構及證券交易所之徵費，以及過戶及印花稅。借貸其後按攤銷成本列賬；所得款項(扣除交易成本)與贖回價值兩者之任何差額採用實際利率法於借貸期間內於收益表確認。

可換股債券負債部分之公平值採用等價之非可換股債券之市場利率釐定。此金額按攤銷成本基準記錄為負債，直至債券因被兌換或到期而消除為止。所得款項餘額分攤至換股權。這在股東權益中確認及列賬，並扣除所得稅影響。負債部分其後按攤銷成本列賬；所得款項(扣除交易成本)與贖回價值兩者之任何差額採用實際利率法於借貸期間內於收益表確認。

除非本集團有無條件權利將負債之結算遞延至結算日後最少12個月，否則借貸分類為流動負債。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. 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.

The fair value of the liability portion of convertible bonds is determined using market interest rates for equivalent non-convertible bonds. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects. The liability portion is 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.

Notes to the Financial Statements 財務報表附註

2. 重要會計政策概要 (續)

2.12 遞延所得稅

遞延所得稅乃採用負債法就資產及負債之稅基與其於財務報表之賬面值兩者之暫時差異作全數撥備。然而，倘遞延所得稅來自在交易（業務合併除外）中對資產或負債之初步確認，而在交易時不影響會計損益或應課稅盈虧，則不作記賬。遞延所得稅採用於結算日前已制定或實質制定，並在有關遞延所得稅資產變現或遞延所得稅負債結算時預期將會適用之稅率及法例而釐定。

遞延所得稅資產乃就可能未來應課稅溢利而就其可使用暫時差異而確認。

遞延所得稅乃就於附屬公司之投資產生之暫時差異而作撥備，但假若本集團可以控制暫時差異之撥回時間，而暫時差異在可見將來有可能不會撥回則除外。

2.13 僱員福利

(a) 僱員應享假期

僱員之應享年假及長期服務假期乃於應計予僱員時確認。僱員因提供服務產生之應享年假及長期服務假期乃按截至結算日之年假及長期服務假期估計負債計算撥備。

僱員應享病假及產假僅於支取時才確認。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.12 Deferred income tax

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 statements. However, if the deferred income tax 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, it is not accounted for. 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.

2.13 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.

Notes to the Financial Statements 財務報表附註

2. 重要會計政策概要 (續)

2.13 僱員福利 (續)

(b) 退休金責任

本集團參與界定供款計劃，據此，本集團以強制性、合約性或自願性方式向國家／受託人管理基金作出供款。供款一經作出，本集團即無進一步付款責任。供款於到期時確認為僱用成本。

(c) 獎金計劃

本集團就獎金確認負債及支出，並就合約責任或據過往經驗已產生推定責任而確認撥備。

2.14 撥備

當本集團因以往事件而承擔現有法律或推定責任，且較可能需要有資源外流以償付責任，而金額已經可靠估計時，將會作出撥備。

倘有多項類似責任，則其需要在償付中流出資源之可能性，根據責任之類別整體考慮。即使在同一責任類別所包含之任何一個項目相關之資源外流之可能性極低，仍須確認撥備。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.13 Employee benefits (Cont'd)

(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.

2.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not 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.

Notes to the Financial Statements 財務報表附註

2. 重要會計政策概要 (續)

2.15 收入確認

收入包括在本集團日常業務過程中出售貨品及服務之已收或應收代價之公平值。收入乃於扣除增值稅、回扣及折扣，以及對銷本集團內部銷售後列示。收入確認如下：

(a) 銷售收入

銷售貨品收入乃於本集團公司已將產品交付予客戶，客戶接納產品後，以及有關應收款項之收回可合理確保時確認。

(b) 採購及網上鋼材貿易服務之佣金

採購及網上鋼材貿易服務之佣金乃於提供服務時確認，並參考根據已提供之實際服務佔將予提供之總服務之比例，評估特定交易之完成。

(c) 利息收入

利息收入採用實際利率法按時間比例基準確認。

於交付貨品及提供服務前向客戶預收之款項均列作預收款項入賬。

2.16 營業租約 (作為承租人)

凡擁有權之絕大部分風險及回報由出租人保留之租約分類為營業租約。根據營業租約支付之款項 (扣除自出租人收取之任何獎勵金後) 於租期內以直線法於收益表列為支出。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.15 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 from procurement and online steel trading services

Commission from procurement and online steel trading services is 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.

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

2.16 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 expensed in the income statement on a straight-line basis over the period of the lease.

Notes to the Financial Statements 財務報表附註

3. 財務風險管理

3.1 財務風險因素

本集團之活動承受著多種財務風險：外匯風險、信貸風險、流動資金風險及現金流量及公平值利率風險。

管理層定期管理本集團之財務風險。由於本集團之財務架構及現行營運簡單，故管理層並無進行任何重大對沖活動。

(a) 外匯風險

本集團承受著從多種貨幣風險（主要與美元及人民幣有關）產生之外匯風險。本集團目前並無對沖其外匯風險。

(b) 信貸風險

本集團並無重大集中之信貸風險。本集團有政策確保銷售是向擁有適當信貸歷史之客戶進行。本集團有政策限制對任何金融機構之信貸額。

(c) 流動資金風險

本集團維持足夠現金及信貸額以應付其流動資金需要。

(d) 現金流量及公平值利率風險

本集團之現金及現金等值項目為計息資產。本集團之收入及經營現金流量可受市場利率變動所影響。

本集團並無可受市場利率變動所影響之計息負債。

3.2 公平值估計

貿易應收款項及貿易應付款項之賬面值減估計信貸調整，被假定與其公平值相若。就披露而言，金融負債公平值之估計按未來合約現金流量以本集團類似金融票據可得之現行市場利率貼現計算。

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, and cash flow and fair value interest-rate risk.

Management regularly manage the financial risks of the Group. Because of the simplicity of the financial structure and the current operation of the Group, no major hedging activities are undertaken by management.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar and Chinese Renminbi. The Group currently does not hedge its foreign exchange exposure.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any financial institution.

(c) Liquidity risk

The Group maintains sufficient cash and credit lines to meet its liquidity requirement.

(d) Cash flow and fair value interest-rate risk

The Group's cash and cash equivalents are interest-bearing assets. The Group's income and operating cash flows can be affected by changes in market interest rates.

The Group has no interest bearing liabilities that can be affected by changes in market interest rates.

3.2 Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and trade 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.

Notes to the Financial Statements 財務報表附註

4. 關鍵會計估計及判斷

本集團根據過往經驗及其他因素(包括預期未來在合理情況下相信會出現之事件)持續對所作之估計及判斷進行評估。

本集團對未來作出估計及假設。所得之會計估計如其定義，很少會與其實際結果相同。很大機會導致下一個財政年度之資產及負債之賬面值作出重大調整之估計討論如下。

4.1 廠房及設備之可使用年期及剩餘價值

本集團管理層釐定其廠房及設備之估計可使用年期、剩餘價值及相關折舊開支。此項估計乃根據類似性質及功能之廠房及設備之實際可使用年期之過往經驗作出。倘可使用年期較先前估計年期為短，則管理層會增加折舊開支，並會撇銷或撇減已棄用或出售之技術落伍或非策略資產。實際經濟年期可能與估計可使用年期不同；實際剩餘價值可能與估計剩餘價值不同。定期檢討可導致可折舊年期及剩餘價值有變，因而改變未來期間之折舊開支。

4.2 存貨之可變現淨值

可變現淨值為在日常業務過程中之估計售價，減適用之可變銷售費用。該等估計乃根據現行市況及類似性質產品之過往銷售經驗作出，可因客戶需求改變及競爭對手所作出之行動而出現重大變動。管理層於各結算日重新評估該等估計。

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgement 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 plant and equipment

The Group's management determines the estimate useful lives, residual values and related depreciation charges for its plant and equipment. This estimate is based on the historical experience of the actual useful lives of plant and equipment 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 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.

Notes to the Financial Statements 財務報表附註

4. 關鍵會計估計及判斷 (續)

4.3 貿易及其他應收款項之估計可收回性

本集團管理層乃根據應收款項可收回性之評估釐定貿易及其他應收款項減值之撥備。此項評估乃根據其客戶及其他債務人之信貸歷史及現行市況作出，並需要使用判斷及估計。管理層於各結算日重新評估有關撥備。

4.4 所得稅

本集團需要在香港及中國內地繳納所得稅。在釐定所得稅撥備金額時，需要作出重大判斷。在日常業務過程中，若干交易及計算所涉及之最終稅務釐定都是不確定的。倘此等事件之最終稅務後果與最初記錄之金額不同，則此等差額將影響作出此等釐定期間之所得稅及遞延稅項撥備。

5. 分類資料

5.1 主要申報格式 — 業務分類

本集團分三個主要業務分類 — 鋼材貿易、鋼材產品之採購服務(包括經營電子商貿縱向入門網站以提供網上鋼材貿易服務及輔助服務)，及投資控股。鋼材貿易業務分類由商品銷售而產生收入。鋼材產品之採購服務業務分類為賺取採購與網上鋼材貿易服務之佣金收入。投資控股業務分類之收入來自股息收入。

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (Cont'd)

4.3 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 judgements and estimates. Management reassesses the provision at each balance sheet date.

4.4 Income taxes

The Group is subject to income taxes in Hong Kong and Mainland China. Significant judgement 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.

5. SEGMENT INFORMATION

5.1 Primary reporting format — business segments

The Group is organised into three major business segments — steel trading, 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 investment holding. The 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. The investment holding business segment derives revenue from dividend income.

Notes to the Financial Statements 財務報表附註

5. 分類資料 (續)

5.1 主要申報格式 — 業務分類 (續)

業務分類業績之分析如下：

5. SEGMENT INFORMATION (Cont'd)

5.1 Primary reporting format — business segments (Cont'd)

The business segment results are analysed as follows:

		截至二零零六年三月三十一日止年度 Year ended 31st March 2006			
		鋼材貿易 Steel trading 千港元 HK\$'000	採購服務 Procurement services 千港元 HK\$'000	投資控股 Investment holding 千港元 HK\$'000	總額 Total 千港元 HK\$'000
營業額 — 對外 客戶銷售	Turnover — Sales to external customers	355,426	4,522	—	359,948
分類業績	Segment results	(5,615)	3,754	(10,450)	(12,311)
其他淨收益 未分配費用	Other gains — net Unallocated expenses	3,608	—	1,443	5,051
經營虧損 財務費用	Operating loss Finance costs				(13,699)
除所得稅前 虧損	Loss before income tax				(16,995)
所得稅撥回	Income tax credit				5,007
年內虧損	Loss for the year				(11,988)
資產	Assets				
分類資產	Segment assets	48,493	68	1,056,193	1,104,754
未分配資產	Unallocated assets				436
					1,105,190
負債	Liabilities				
分類負債	Segment liabilities	(38,311)	—	(16,580)	(54,891)
未分配負債	Unallocated liabilities				(704)
					(55,595)
資本開支 未分配	Capital expenditure Unallocated	64	—	—	64
					49
					113
折舊及攤銷 未分配	Depreciation and amortisation Unallocated	367	15	—	382
					6
					388

Notes to the Financial Statements 財務報表附註

5. 分類資料 (續)

5. SEGMENT INFORMATION (Cont'd)

5.1 主要申報格式 — 業務分類 (續)

5.1 Primary reporting format — business segments (Cont'd)

		截至二零零五年三月三十一日止年度 Year ended 31st March 2005			
		鋼材貿易 Steel trading 千港元 HK\$'000	採購服務 Procurement services 千港元 HK\$'000	投資控股 Investment holding 千港元 HK\$'000	總額 Total 千港元 HK\$'000
營業額 — 對外 客戶銷售	Turnover — Sales to external customers	854,564	5,121	—	859,685
分類業績	Segment results	(1,654)	604	(62)	(1,112)
其他淨收益 未分配費用	Other gains — net Unallocated expenses	515	—	1,572	2,087 (416)
經營溢利 財務費用	Operating profit Finance costs				559 (5,056)
除所得稅前 虧損	Loss before income tax				(4,497)
所得稅支出	Income tax expense				(5,946)
年內虧損	Loss for the year				(10,443)
資產	Assets				
分類資產	Segment assets	164,155	353	780	165,288
未分配資產	Unallocated assets				460
					165,748
負債	Liabilities				
分類負債	Segment liabilities	(163,235)	—	(71)	(163,306)
未分配負債	Unallocated liabilities				(305)
					(163,611)
資本開支	Capital expenditure	191	5	780	976
折舊及攤銷	Depreciation and amortisation	1,016	27	—	1,043

Notes to the Financial Statements 財務報表附註

5. 分類資料 (續)

5.1 主要申報格式 — 業務分類 (續)

未分配費用指不可能分配到個別分類之企業及行政費用。

分類資產主要包括廠房及設備、應收認購款項、存貨、貿易應收款項及經營現金。

分類負債包括經營負債。

5.2 次要申報格式 — 地區分類

本集團業務集中於香港及中國內地。按地區分類劃分之營業額乃根據鋼材貿易貨品付運之目的地、採購服務所進行之服務所屬地區、網上佣金收入之賣方所屬地區及提供股息收入之投資之所屬地區而釐定。

5. SEGMENT INFORMATION (Cont'd)

5.1 Primary reporting format — business segments (Cont'd)

Unallocated costs represent corporate and administrative expenses that cannot be allocated into the individual segment.

Segment assets consist primarily of plant and equipment, subscription receivables, inventories, trade receivables and operating cash.

Segment liabilities comprise operating liabilities.

5.2 Secondary reporting format — geographical segments

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

Notes to the Financial Statements 財務報表附註

5. 分類資料 (續)

5.2 次要申報格式 — 地區分類 (續)

地區分類業績之分析如下：

		截至二零零六年三月三十一日止年度 Year ended 31st March 2006			
		香港 Hong Kong 千港元 HK\$'000	中國內地 Mainland China 千港元 HK\$'000	其他 Others 千港元 HK\$'000	總額 Total 千港元 HK\$'000
營業額 — 對外 客戶銷售	Turnover — Sales to external customers	3,184	356,764	—	359,948
分類業績	Segment results	(15,199)	2,868	(868)	(13,199)
未分配費用	Unallocated expenses				(500)
經營虧損	Operating loss				(13,699)
資產	Assets	1,059,151	45,971	68	1,105,190
資本開支	Capital expenditure	49	64	—	113

Geographical segments results are analysed as follows:

		截至二零零五年三月三十一日止年度 Year ended 31st March 2005			
		香港 Hong Kong 千港元 HK\$'000	中國內地 Mainland China 千港元 HK\$'000	其他 Others 千港元 HK\$'000	總額 Total 千港元 HK\$'000
營業額 — 對外 客戶銷售	Turnover — Sales to external customers	15,280	844,405	—	859,685
分類業績	Segment results	(586)	4,162	(2,601)	975
未分配費用	Unallocated expenses				(416)
經營溢利	Operating profit				559
資產	Assets	1,891	163,373	484	165,748
資本開支	Capital expenditure	61	910	5	976

Notes to the Financial Statements 財務報表附註

6. 廠房設備

6. PLANT AND EQUIPMENT

		租賃物業裝修 及傢俬 Leasehold improvements and furniture 千港元 HK\$'000	辦公室設備 Office equipment 千港元 HK\$'000	汽車 Motor vehicles 千港元 HK\$'000	總額 Total 千港元 HK\$'000
於二零零四年四月一日	At 1st April 2004				
成本值	Cost	651	2,415	2,460	5,526
累計折舊	Accumulated depreciation	(362)	(1,626)	(616)	(2,604)
賬面淨值	Net book amount	289	789	1,844	2,922
截至二零零五年三月 三十一日止年度	Year ended 31st March 2005				
期初賬面淨值	Opening net book amount	289	789	1,844	2,922
添置	Additions	94	96	—	190
出售	Disposals	(67)	(45)	(104)	(216)
出售附屬公司	Disposal of subsidiaries	(24)	(41)	(404)	(469)
折舊	Depreciation	(143)	(471)	(402)	(1,016)
期終賬面淨值	Closing net book amount	149	328	934	1,411
於二零零五年三月 三十一日	At 31st March 2005				
成本值	Cost	543	2,213	1,779	4,535
累計折舊	Accumulated depreciation	(394)	(1,885)	(845)	(3,124)
賬面淨值	Net book amount	149	328	934	1,411
截至二零零六年三月 三十一日止年度	Year ended 31st March 2006				
期初賬面淨值	Opening net book amount	149	328	934	1,411
添置	Additions	40	73	—	113
出售	Disposals	(28)	—	(10)	(38)
出售附屬公司	Disposal of subsidiaries	(90)	(50)	(495)	(635)
折舊	Depreciation	(62)	(203)	(108)	(373)
期終賬面淨值	Closing net book amount	9	148	321	478
於二零零六年三月 三十一日	At 31st March 2006				
成本值	Cost	334	2,150	804	3,288
累計折舊	Accumulated depreciation	(325)	(2,002)	(483)	(2,810)
賬面淨值	Net book amount	9	148	321	478

折舊開支 373,000 港元 (二零零五年：
1,016,000 港元) 已計入一般及行政費用。

Depreciation expense of HK\$373,000 (2005: HK\$1,016,000) has been included in general and administrative expenses.

Notes to the Financial Statements 財務報表附註

7. 網站開發成本

7. WEBSITE DEVELOPMENT COSTS

千港元
HK\$'000

於二零零四年四月一日	At 1st April 2004	
成本值	Cost	33,364
累計攤銷	Accumulated amortisation	(33,321)
賬面淨值	Net book amount	43
截至二零零五年三月三十一日止年度	Year ended 31st March 2005	
期初賬面淨值	Opening net book amount	43
添置	Additions	5
攤銷	Amortisation	(27)
期終賬面淨值	Closing net book amount	21
於二零零五年三月三十一日	At 31st March 2005	
成本值	Cost	33,369
累計攤銷	Accumulated amortisation	(33,348)
賬面淨值	Net book amount	21
截至二零零六年三月三十一日止年度	Year ended 31st March 2006	
期初賬面淨值	Opening net book amount	21
攤銷	Amortisation	(15)
期終賬面淨值	Closing net book amount	6
於二零零六年三月三十一日	At 31st March 2006	
成本值	Cost	33,369
累計攤銷	Accumulated amortisation	(33,363)
賬面淨值	Net book amount	6

攤銷開支15,000港元(二零零五年: 27,000港元)已計入一般及行政費用。

Amortisation expense of HK\$15,000 (2005: HK\$27,000) has been included in general and administrative expenses.

Notes to the Financial Statements 財務報表附註

8. 長期投資

8. LONG-TERM INVESTMENT

		於二零零六年 三月三十一日 As at 31st March 2006 千港元 HK\$'000	於二零零五年 三月三十一日 As at 31st March 2005 千港元 HK\$'000
非上市投資，成本值	Unlisted investment, at cost	—	780

於二零零五年三月三十一日，非上市投資指於佛山市南海恩特斯不銹鋼有限公司之10%權益。佛山市南海恩特斯不銹鋼有限公司為一間於中國內地成立之合營企業，由本集團之全資附屬公司Greater China Metal Limited持有，主要業務為生產、加工及買賣冷軋不銹鋼卷。

As at 31st March 2005, unlisted investment represented a 10% interest in Foshan Nanhai STS Metal Co., Ltd., a joint venture enterprise established in Mainland China, held by Greater China Metal Limited, a wholly owned subsidiary of the Group. Foshan Nanhai STS Metal Co., Ltd., is principally engaged in manufacturing, processing and trading of cold rolled stainless steel.

於截至二零零六年三月三十一日止年度內，本集團出售其於Greater China Metal Limited之全部權益，因而出售其於佛山市南海恩特斯不銹鋼有限公司之10%權益投資。

During the year ended 31st March 2006, the Group disposed of its entire interest in Greater China Metal Limited and consequently its investment in the 10% interest in Foshan Nanhai STS Metal Co., Ltd.

9. 投資於附屬公司及應收附屬公司款項

9. INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
非上市股份，成本值	Unlisted shares, at cost	3,500	3,500
應收附屬公司款項	Amounts due from subsidiaries	145,308	135,876
減：累計減值虧損	Less: Accumulated impairment losses	(148,808)	(139,375)
		—	1

Notes to the Financial Statements 財務報表附註

9. 投資於附屬公司及應收附屬公司款項 (續)

以下為於二零零六年三月三十一日附屬公司
之名單：

9. INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (Cont'd)

The following is a list of subsidiaries as at 31st March 2006:

名稱 Name	註冊成立地點及 法定實體類別 Place of incorporation and kind of legal entity	主要業務 Principal activities	已發行股本詳情 Particulars of issued share capital	本集團所持股本 權益百分比 Percentage of equity interest held by the Group
頂級投資有限公司 (i) Ace Level Investments Limited (i)	英屬處女群島，有限公司 British Virgin Islands, limited liability company	投資控股 Investment holding	1股每股面值 1美元之普通股 1 Ordinary share of US\$1 each	100%
i-AsiaB2B Group Limited (i)	英屬處女群島，有限公司 British Virgin Islands, limited liability company	投資控股 Investment holding	1股每股面值 1美元之普通股 1 Ordinary share of US\$1 each	100%
ISA Group Holdings Limited	英屬處女群島，有限公司 British Virgin Islands, limited liability company	投資控股 Investment holding	10,000股每股面值 1美元之普通股 10,000 Ordinary share o US\$1 each	100%
iSteel Holdings (B.V.I.) Limited	英屬處女群島，有限公司 British Virgin Islands, limited liability company	投資控股 Investment holding	1股每股面值 1美元之普通股 1 Ordinary share of US\$1 each	100%
亞鋼(MT)集團有限公司 iSteel (MT) Holdings Limited	英屬處女群島，有限公司 British Virgin Islands, limited liability company	投資控股 Investment holding	1股每股面值 1美元之普通股 1 Ordinary share of US\$1 each	100%
亞洲鋼鐵電子交易所(香港) 有限公司 iSteelAsia (Hong Kong) Limited	香港，有限公司 Hong Kong, limited liability company	經營電子商貿縱向入門 網站以進行網上鋼材貿易 Operation of an e-commerce vertical portal business for online steel trading	2股每股面值 1港元之普通股 2 Ordinary shares of HK\$1 each	100%

Notes to the Financial Statements 財務報表附註

9. 投資於附屬公司及應收附屬公司款項 (續) 9. INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (Cont'd)

名稱 Name	註冊成立地點及 法定實體類別 Place of incorporation and kind of legal entity	主要業務 Principal activities	已發行股本詳情 Particulars of issued share capital	本集團所持股本 權益百分比 Percentage of equity interest held by the Group
iSteelAsia Limited	英屬處女群島，有限公司 British Virgin Islands, limited liability company	經營電子商貿縱向入門網站 以進行網上鋼材貿易 Operation of an e-commerce vertical portal business for online steel trading	10股每股面值 1美元之普通股 10 Ordinary shares of US\$1 each	100%
亞鋼物流管理澳門離岸商業 服務有限公司 iSteelAsia Logistics Macao Commercial Offshore Company Limited	澳門，有限公司 Macau, limited liability company	鋼材貿易 Trading of steel	1股每股面值 100,000澳門幣之 普通股 1 Ordinary share of MOP100,000 each	100%
MetalAsia Holdings Limited	英屬處女群島，有限公司 British Virgin Islands, limited liability company	投資控股 Investment holding	2,000股每股面值 1美元之普通股 2,000 Ordinary shares of US\$1 each	100%
金屬物流管理有限公司 Metal Logistics Company Limited	香港，有限公司 Hong Kong, limited liability company	鋼材貿易及提供採購服務 Trading of steel and provision of procurement services	4股每股面值 1港元之普通股 4 Ordinary shares of HK\$1 each	100%
North Asia Strategic (HK) Limited (i)	香港，有限公司 Hong Kong, limited liability company	管理 Management	1股每股面值 1港元之普通股 1 Ordinary share of HK\$1 each	100%
亞網鋼國際貿易(上海)有限 公司(ii) Shanghai iSteelAsia International Limited (ii)	中國內地，有限公司 Mainland China, limited liability company	鋼材貿易 Trading of steel	200,000美元 US\$200,000	100%

Notes to the Financial Statements 財務報表附註

9. 投資於附屬公司及應收附屬公司款項 (續) 9. INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (Cont'd)

名稱 Name	註冊成立地點及 法定實體類別 Place of incorporation and kind of legal entity	主要業務 Principal activities	已發行股本詳情 Particulars of issued share capital	本集團所持股本 權益百分比 Percentage of equity interest held by the Group
天津港保稅區亞鋼國際貿易 有限公司 (ii) Tianjin iSteelAsia International Limited (ii)	中國內地，有限公司 Mainland China, limited liability company	鋼材貿易 Trading of steel	200,000美元 US\$200,000	100%
亞鋼網有限公司 Ya Gang Wang Co. Limited	英屬處女群島，有限公司 British Virgin Islands, limited liability company	投資控股 Investment holding	1股每股面值 1美元之普通股 1 Ordinary share of US\$1 each	100%
宇太鋼鐵電子(上海)有限 公司 (ii) Yu Tai Steel (Shanghai) Co. Ltd. (ii)	中國內地，有限公司 Mainland China, limited liability company	鋼材貿易 Trading of steel	200,000美元 US\$200,000	100%

附註：

- (i) 該等公司之股份由本公司直接持有。其他公司之股份乃間接持有。
- (ii) 此等乃於中國內地成立之外商獨資企業，經營期為十至五十年直至二零一一年到二零五二年。

Notes:

- (i) Shares of these companies are held directly by the Company. Shares of the other companies are held indirectly.
- (ii) These are wholly owned foreign enterprises established in Mainland China to operate for periods from 10 to 50 years up to 2011 to 2052.

Notes to the Financial Statements 財務報表附註

10. 存貨 — 本集團

10. INVENTORIES — GROUP

		於二零零六年 三月三十一日 As at 31st March 2006 千港元 HK\$'000	於二零零五年 三月三十一日 As at 31st March 2005 千港元 HK\$'000
板材產品	Rolled flat steel products	26,399	94,936

存貨成本確認為支出並計入已售貨品成本之金額為354,154,000港元(二零零五年：828,580,000港元)。

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK\$354,154,000 (2005: HK\$828,580,000).

11. 貿易應收款項

11. TRADE RECEIVABLES

		綜合 Consolidated	
		於二零零六年 三月三十一日 As at 31st March 2006 千港元 HK\$'000	於二零零五年 三月三十一日 As at 31st March 2005 千港元 HK\$'000
貿易應收款項	Trade receivables	589	4,455
減：應收款項減值撥備	Less: Provision for impairment of receivables	(474)	(478)
		115	3,977

Notes to the Financial Statements 財務報表附註

11. 貿易應收款項 (續)

本集團之銷售一般是貨到付現，除了個別客戶獲本集團授予信貸期介乎30至90日不等。貿易應收款項之賬齡分析如下：

0至90日	0 to 90 days
91至180日	91 to 180 days
181至270日	181 to 270 days
271至365日	271 to 365 days
超過365日	Over 365 days

貿易應收款項之賬面值與其公平值相若。

截至二零零六年三月三十一日止年度，本集團就其貿易應收款項減值確認虧損21,000港元(二零零五年：1,761,000港元)。虧損已於收益表計入一般及行政費用。

11. TRADE RECEIVABLES (Cont'd)

The Group generally requires sales to be settled by cash upon delivery, with some cases granting a credit period of 30 to 90 days. Aging analysis of trade receivables is as follows:

		綜合 Consolidated	
		於二零零六年 三月三十一日 As at 31st March 2006 千港元 HK\$'000	於二零零五年 三月三十一日 As at 31st March 2005 千港元 HK\$'000
		—	3,959
		—	3
		115	15
		—	—
		474	478
		589	4,455

The carrying amounts of trade receivables approximate their fair values.

During the year ended 31st March 2006, the Group recognised a loss of HK\$21,000 (2005: \$1,761,000) for the impairment of its trade receivables. The loss has been included in general and administrative expenses in the income statement.

Notes to the Financial Statements 財務報表附註

12. 預付款項、按金及其他應收款項

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		本集團 Group		本公司 Company	
		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000	二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
預付款項	Prepayments	91	5,016	—	30
按金	Deposits	328	299	—	—
應收利息	Interest receivable	707	—	707	—
應收前附屬公司款項	Amounts due from former subsidiaries	15,392	—	—	—
出售附屬公司之代價結餘	Balance of consideration for disposal of subsidiaries	98	1,536	—	—
其他應收款項	Other receivables	129	1,042	—	—
		16,745	7,893	707	30

其他應收款項之賬面值與其公平值相若。

The carrying amounts of other receivables approximate their fair values.

13. 現金及現金等值項目及已抵押銀行存款

13. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

		本集團 Group		本公司 Company	
		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000	二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
銀行及手頭現金	Cash at bank and on hand	10,748	13,263	7,842	12
短期銀行存款	Short-term bank deposits	282,099	—	282,099	—
		292,847	13,263	289,941	12
已抵押銀行存款	Pledged bank deposits	3,055	16,080	—	13,049
		295,902	29,343	289,941	13,061

於二零零六年三月三十一日，短期銀行存款之實際利率約為4.0%（二零零五年：無）；此等存款之平均到期日為30日（二零零五年：無）。

As at 31st March 2006, the effective interest rate on short-term bank deposits was approximately 4.0% (2005: Nil) per annum; these deposits have an average maturity of 30 days (2005: Nil).

Notes to the Financial Statements 財務報表附註

13. 現金及現金等值項目及有抵押銀行存款 (續)

已抵押存款抵押作為本集團銀行信貸之抵押品，而已抵押銀行存款之實際利率約為4.3% (二零零五年：0.85%)；此等存款之平均到期日為182日 (二零零五年：183日) (見附註31)。

現金及現金等值項目以下列貨幣為單位：

	本集團 Group	二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
港元	Hong Kong dollar	291,555	883
美元	US dollar	4,173	16,761
人民幣 (「人民幣」)	Renminbi ("RMB")	174	11,698
其他	Others	—	1
		295,902	29,343

本集團以人民幣為單位之現金及現金等值項目乃存放於中國內地銀行。兌換此等以人民幣為單位之結餘為外幣及將資金匯出中國內地須受中國內地政府頒佈之外匯管制規則及條例所規限。

13. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS (Cont'd)

The pledged deposits were pledged as collateral for the Group's banking facilities and the effective interest rate on pledged bank deposits was approximately 4.3% (2005: 0.85%) per annum, these deposits have an average maturity of 182 days (2005: 183 days) (see note 31).

Cash and cash equivalents were denominated in the following currencies:

	本集團 Group	二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000	本公司 Company	二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
港元	Hong Kong dollar	291,555	883	289,933	9	
美元	US dollar	4,173	16,761	8	13,052	
人民幣 (「人民幣」)	Renminbi ("RMB")	174	11,698	—	—	
其他	Others	—	1	—	—	
		295,902	29,343	289,941	13,061	

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

Notes to the Financial Statements 財務報表附註

14. 借貸

14. BORROWINGS

		於二零零六年 三月三十一日 As at 31st March 2006 千港元 HK\$'000	於二零零五年 三月三十一日 As at 31st March 2005 千港元 HK\$'000
流動	Current		
短期銀行借貸	Short-term bank borrowings	—	24,360
		—	24,360

短期銀行借貸以已抵押銀行存款所抵押。

The short-term bank borrowings were secured by pledged bank deposits.

所有短期銀行借貸均於一年內到期，並以人民幣為單位。

All short-term borrowings were due within one year and denominated in Renminbi.

於結算日之實際利率如下：

The effective interest rates at the balance sheet date were as follows:

		於二零零六年 三月三十一日 As at 31st March 2006 千港元 HK\$'000	於二零零五年 三月三十一日 As at 31st March 2005 千港元 HK\$'000
短期銀行借貸	Short-term bank borrowings	—	5.5% - 5.6%

Notes to the Financial Statements 財務報表附註

15. 貿易應付款項

貿易應付款項之賬齡分析如下：

15. TRADE PAYABLES

The aging analysis of trade payables is as follows:

		於二零零六年 三月三十一日 As at 31st March 2006 千港元 HK\$'000	於二零零五年 三月三十一日 As at 31st March 2005 千港元 HK\$'000
0至90日	0 to 90 days	36,916	18,272
91至180日	91 to 180 days	—	93,467
181至270日	181 to 270 days	—	8,079
271至365日	271 to 365 days	—	—
1至2年	1 to 2 years	—	1,200
		36,916	121,018

16. 應計負債及其他應付款項

16. ACCRUALS AND OTHER PAYABLES

		本集團 Group		本公司 Company	
		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000	二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
經營費用之應計 負債	Accrual for operating expenses	2,020	2,657	1,920	71
申索撥備	Provision for claim	—	2,977	—	—
其他應付款項	Other payables	525	1,807	—	—
		2,545	7,441	1,920	71

Notes to the Financial Statements 財務報表附註

17. 可換股債券

於二零零五年八月，本公司發行面值為20,000,000港元之可換股債券，該等可換股債券以港元為單位。

債券將於二零一零年八月到期或持有人可選擇按每股0.1566港元將債券兌換為合共約127,714,000股每股面值為0.01港元之股份。此外，持有人有權要求本集團於二零零七年十二月七日贖回全部或部分尚未贖回之債券。

負債部分及權益兌換部分之公平值乃於發行債券時釐定。負債部分其後以攤銷成本入賬。負債部分之公平值乃按本集團所獲提供之定期貸款市場年利率8.0%計算。餘額(即權益兌換部分之價值)乃計入其他儲備作為股東權益。

於資產負債表確認之可換股債券乃按下列方式計算：

17. CONVERTIBLE BONDS

In August 2005, the Company issued convertible bonds at face value of 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 127,714,000 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 Group 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 residual amount, representing the value of the equity conversion component, is included in shareholders' equity as other reserves.

The convertible bonds recognised in the balance sheet are calculated as follows:

		於二零零六年 三月三十一日 At 31st March 2006 千港元 HK\$'000
於二零零五年八月八日所發行 可換股債券之面值	Face value of convertible bonds issued on 8th August 2005	20,000
權益部分	Equity component	(6,388)
於二零零五年八月八日初步確認之 負債部分	Liability component on initial recognition at 8th August 2005	13,612
應計利息支出	Accrued interest expense	1,030
於二零零六年三月三十一日之負債部分	Liability component at 31st March 2006	14,642

債券之利息支出乃按實際利率法就負債部分以實際利率8.0%計算。

Interest expense on the bonds is calculated using the effective interest method by applying the effective interest rate of 8.0% to the liability component.

Notes to the Financial Statements 財務報表附註

18. 股本

18. SHARE CAPITAL

		普通股		優先股		總額
		Ordinary shares	Preference shares	Preference shares	Total	
		股份數目 Number of shares 千股 '000	普通股 股本 Ordinary shares capital 千港元 HK\$'000	股份數目 Number of shares 千股 '000	優先股 股本 Preference shares capital 千港元 HK\$'000	總額 Total 千港元 HK\$'000
法定	Authorised					
於二零零四年四月一日及 二零零五年三月三十一日	At 1st April 2004 and 31st March 2005	4,000,000	400,000	—	—	400,000
股本重組	Capital reorganisation	36,000,000	—	—	—	—
增設優先股	Creation of preference shares	—	—	30,000,000	300,000	300,000
於二零零六年三月三十一日	At 31st March 2006	40,000,000	400,000	30,000,000	300,000	700,000
按下列分析 —	Analysed as —					
每股面值0.01港元之普通股	Ordinary shares of HK\$0.01 each	40,000,000	400,000	—	—	400,000
每股面值0.01港元之優先股	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
已發行	Issued					
於二零零四年四月一日	At 1st April 2004	1,596,384	159,638	—	—	159,638
因行使認股權證而發行股份	Issue of shares upon exercise of warrants	206	21	—	—	21
於二零零五年三月三十一日	At 31st March 2005	1,596,590	159,659	—	—	159,659
股本重組 (附註a(i))	Capital reorganisation (Note a(i))	(1,580,919)	(159,529)	—	—	(159,529)
發行普通股	Issue of ordinary shares					
— 因行使認股權證 (附註28)	— upon exercise of warrants (Note 28)	298	30	—	—	30
— 根據認購協議 (附註a(ii))	— under a subscription agreement (Note a(ii))	63,857	639	—	—	639
— 根據公開發售 (附註a(iii))	— under an open offer (Note a(iii))	15,969	159	—	—	159
發行優先股	Issue of preference shares	—	—	7,383,167	73,832	73,832
於二零零六年三月三十一日	At 31st March 2006	95,795	958	7,383,167	73,832	74,790

Notes to the Financial Statements 財務報表附註

18. 股本 (續)

(a) 於二零零五年七月十四日，本公司於其股東特別大會上批准下列交易：

(i) 將每100股每股面值0.10港元之普通股合併為一股面值10.0港元之股份及隨即透過註銷每股已發行合併後股份之繳足股本9.99港元削減本公司已發行股本，將所有已發行合併後股份之面值由每股10.0港元削減至每股0.01港元；

— 增設額外36,000,000,000股每股面值0.01港元之普通股，以增加本公司法定股本至原來之400,000,000港元；

— 註銷本公司之全部股份溢價儲備約11,099,000港元；

將上述削減股本及註銷股份溢價儲備所得進賬轉撥往本公司之繳入盈餘賬，並與本公司之累計虧損抵銷，兩筆進賬分別約為159,529,000港元及11,099,000港元，即合共約為170,628,000港元；

(ii) 按以上進行股本重組後，以每股認購價0.1566港元發行每股面值0.01港元之股份合共約63,857,000股，藉以集資約10,000,000港元；

18. SHARE CAPITAL (Cont'd)

(a) On 14th July 2005, the Company approved the following transactions at its special general meeting:

(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;

(ii) 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;

Notes to the Financial Statements 財務報表附註

18. 股本 (續)

(a) (續)

(iii) 發售給股東，按上述進行股本重組後每持有一股股份獲發行一股新股之基準，以每股0.1566港元之認購價認購每股面值0.01港元之新股。在本交易中，於進行上述股本重組後，本公司發行約15,969,000股每股面值0.01港元之股份，集資約2,500,000港元。Van Shung Chong (B.V.I.) Limited為當時持有本公司股權約18.9%之主要股東，已包銷此發售；

(b) 於二零零六年二月二十日，本公司批准將透過增設30,000,000,000股每股面值0.01港元之優先股而增加其法定股本300,000,000港元。

於二零零六年二月及三月，本公司發行合共約7,383,167,000股每股面值0.01港元之不可贖回優先股，可透過配售按認購價每股0.1566港元認購，總額約為1,156,200,000港元。

優先股為不可贖回，並按一股優先股兌一股普通股之兌換比例兌換為本公司普通股。就股息方面而言，優先股將與本公司普通股享有同等地位。

18. SHARE CAPITAL (Cont'd)

(a) (Cont'd)

(iii) 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) On 20th February 2006, the Company approved an increase in its authorised share capital by HK\$300,000,000 by the creation of 30,000,000,000 preference shares of HK\$0.01 each.

In February and March 2006, the Company issued a total of approximately 7,383,167,000 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.

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 dividend.

Notes to the Financial Statements 財務報表附註

18. 股本 (續)

(b) (續)

認購價須由認購人分四期等額以現金支付。本公司已在認購完成後分別於二零零六年二月及三月收到首期款項。其餘三期分期款項將分別於二零零六年二月二十八日後約12個月、24個月及36個月收到。倘於第一週年(二零零七年二月二十八日)或第二週年(二零零八年二月二十八日)前，本公司未能將先前已收到之認購股款最少75%投入投資，則本公司將無權收取原應於有關週年應付之分期款項。然而，即使本公司無權收取第一及第二週年之分期款項，其餘未付餘款將須於第三週年(二零零九年二月二十八日)前或於兌換優先股為普通股時(以較早者為準)收到。

優先股將於已兌換普通股於聯交所主板上市或於第四週年(二零一零年二月二十八日)(以較早者為準)自動兌換為普通股。

於資產負債表確認之應收認購款項按下列方式計算：

應收認購款項
減：未來利息

應收認購款項之公平值
減：非流動部分

流動部分

應收認購款項之公平值乃於發行優先股時釐定，並按本集團所獲提供之銀行信貸市場年利率6.5%計算。

18. SHARE CAPITAL (Cont'd)

(b) (Cont'd)

The subscription price is payable in cash by the subscribers in four equal instalments. The first was received by the Company in February and March 2006, upon completion of the subscription. The remaining three instalments are receivable approximately 12 months, 24 months and 36 months, respectively, after 28th February 2006. In the event that by the first anniversary (28th February 2007) or the second anniversary (28th February 2008), the Company is unable to utilise at least 75% of the subscription monies previously received for investments, the Company will not be entitled to receive the instalments which would otherwise be due on such anniversaries. However, even if the Company is not entitled to receive the instalments on the first and second anniversaries, the remaining unpaid balance will be receivable by the third anniversary (28th February 2009) or, if earlier, upon the conversion of the preference shares into ordinary shares.

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, or on the fourth anniversary (28th February 2010), whichever is earlier.

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

		於二零零六年 三月三十一日 As at 31st March 2006 千港元 HK\$'000
應收認購款項	Subscription receivables	867,153
減：未來利息	Less: Future interest	(101,608)
應收認購款項之公平值	Subscription receivables at fair value	765,545
減：非流動部分	Less: Non-current portion	(494,135)
流動部分	Current portion	271,410

The fair values of the subscription receivables were determined upon issuance of the preference shares and calculated using a market interest rate for the banking facilities granted to the Group of 6.5% per annum.

Notes to the Financial Statements 財務報表附註

19. 儲備

變動如下：

本集團

19. RESERVES

Movements were:

Group

		股份溢價 Share premium 千港元 HK\$'000	繳入盈餘 Contributed surplus 千港元 HK\$'000	可換 股債券 Convertible bonds 千港元 HK\$'000	股本儲備 Capital reserve 千港元 HK\$'000	資產重估 儲備 Asset revaluation reserve 千港元 HK\$'000	累計匯兌 調整 Cumulative translation adjustments 千港元 HK\$'000	累計虧損 Accumulated losses 千港元 HK\$'000	總額 Total 千港元 HK\$'000
於二零零四年四月一日之結餘	Balance at 1st April 2004	11,099	—	—	2,700	—	105	(160,897)	(146,993)
本公司權益持有人 應佔虧損	Loss attributable to equity holders of the Company	—	—	—	—	—	(10,443)	(10,443)	(10,443)
匯兌調整	Translation adjustments	—	—	—	—	(86)	—	(86)	(86)
一項長期投資之公 平值變動	Change in fair value of a long-term investment	—	—	—	—	548	—	—	548
因出售一項長期投 資而釋放	Realised upon disposal of a long-term investment	—	—	—	—	(548)	—	—	(548)
於二零零五年三月三十一日 之結餘	Balance at 31st March 2005	11,099	—	—	2,700	—	19	(171,340)	(157,522)
本公司權益持有人 應佔虧損	Loss attributable to equity holders of the Company	—	—	—	—	—	(11,988)	(11,988)	(11,988)
股本重組 (附註18)	Capital reorganisation (Note 18)	(11,099)	170,628	—	—	—	—	—	159,529
抵銷累計虧損 (附註18)	Elimination of accumulated losses (Note 18)	—	(161,644)	—	—	—	—	161,644	—
發行普通股	Issue of ordinary shares								
— 根據認購 協議	— under a subscription agreement	9,361	—	—	—	—	—	—	9,361
— 根據公開發售	— under an open offer	2,341	—	—	—	—	—	—	2,341
發行優先股	Issue of preference shares	980,764	—	—	—	—	—	—	980,764
股份發行費用	Share issue expenses								
— 普通股	— ordinary shares	(2,186)	—	—	—	—	—	—	(2,186)
— 優先股	— preference shares	(12,173)	—	—	—	—	—	—	(12,173)
可換股債券	Convertible bonds								
— 權益部分 (附註17)	— equity component (Note 17)	—	—	6,388	—	—	—	—	6,388
匯兌調整 — 淨額	Translation adjustments — net	—	—	—	—	—	291	—	291
於二零零六年三月三十一日 之結餘	Balance at 31st March 2006	978,107	8,984	6,388	2,700	—	310	(21,684)	974,805

Notes to the Financial Statements 財務報表附註

19. 儲備 (續)

19. RESERVES (Cont'd)

本公司

Company

		股份溢價	繳入盈餘	可換股 債券	資產重估 儲備	累計虧損	總額
		Share premium	Contribution surplus	Convertible bonds	Asset revaluation reserve	Accumulated losses	Total
		千港元	千港元	千港元	千港元	千港元	千港元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
於二零零四年四月一日之結餘	Balance at 1st April 2004	11,099	—	—	—	(155,693)	(144,594)
本公司權益持有人 應佔虧損	Loss attributable to equity holders of the Company	—	—	—	—	(5,951)	(5,951)
一項長期投資之公 平值變動	Change in fair value of a long-term investment	—	—	—	548	—	548
因出售一項長期投 資而釋放	Realised upon disposal of a long-term investment	—	—	—	(548)	—	(548)
於二零零五年三月三十一日之結餘	Balance at 31st March 2005	11,099	—	—	—	(161,644)	(150,545)
本公司權益持有人 應佔虧損	Loss attributable to equity holders of the Company	—	—	—	—	(25,638)	(25,638)
股本重組 (附註18)	Capital reorganisation (Note 18)	(11,099)	170,628	—	—	—	159,529
抵銷累計虧 損 (附註18)	Elimination of accumulated losses (Note 18)	—	(161,644)	—	—	161,644	—
發行普通股	Issue of ordinary shares						
— 根據認購協議	— under a subscription agreement	9,361	—	—	—	—	9,361
— 根據公開發售	— under an open offer	2,341	—	—	—	—	2,341
發行優先股	Issue of preference shares	980,764	—	—	—	—	980,764
股份發行費用	Share issue expenses						
— 普通股	— ordinary shares	(2,186)	—	—	—	—	(2,186)
— 優先股	— preference shares	(12,173)	—	—	—	—	(12,173)
可換股債券	Convertible bonds						
— 權益部分 (附註17)	— equity component (Note 17)	—	—	6,388	—	—	6,388
於二零零六年三月三十一日 之結餘	Balance at 31st March 2006	978,107	8,984	6,388	—	(25,638)	967,841

Notes to the Financial Statements 財務報表附註

20. 其他淨收益

20. OTHER GAINS — NET

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
非上市投資之股息收入	Dividend income from unlisted investments	—	659
利息收入	Interest income	1,707	580
撥回申索之撥備	Write-back of provision for claim	2,977	—
出售投資之收益	Gain on disposal of investments	—	911
出售附屬公司之溢利／(虧損) (附註27(c))	Profit/(loss) on disposal of subsidiaries (Note 27(c))	98	(63)
其他	Others	269	—
		5,051	2,087

由於法律案件已經解決，本公司董事認為沒有需要為法律案件申索作出撥備，故申索撥備已被撥回。

The write-back of provision for claim resulted from the settlement of a legal case and the Company's Directors consider the provision was no longer necessary.

21. 按性質分類之費用

21. EXPENSES BY NATURE

計入銷售及分銷費用以及一般及行政費用之費用分析如下：

Expenses included in selling and distribution expenses and general and administrative expenses are analysed as follows:

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
廠房及設備折舊	Depreciation of plant and equipment	373	1,016
網站開發成本攤銷	Amortisation of website development costs	15	27
僱用成本 (附註22)	Employment costs (Note 22)	6,139	9,416
物業之營業租約租金	Operating lease rental of premises	1,186	1,152
貿易應收款項減值	Impairment of trade receivables	21	1,761
存貨撥備	Provision for inventories	—	1,448
核數師酬金	Auditors' remuneration	900	500

Notes to the Financial Statements 財務報表附註

22. 僱用成本

22. EMPLOYMENT COSTS

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
薪金、工資及津貼	Salaries, wages and allowances	6,072	9,185
退休福利	Retirement benefits		
— 界定供款計劃	— defined contribution scheme	67	231
		6,139	9,416

- (a) 本集團已安排其香港僱員參與一項由獨立受託人管理之強制性公積金計劃（「強積金計劃」），該計劃為一項界定供款計劃。根據強積金計劃，本集團（僱主）及其僱員各自每月按僱員有關收入（定義見香港強制性公積金計劃條例）之5%向計劃作出供款。每位僱主及僱員之每月供款上限為1,000港元，而其額外供款乃屬自願。

依中國內地之規則及規例，本集團須為其中國內地僱員向國家資助之退休計劃供款。僱員按其基本薪金約6%至20%供款，而本集團按該等薪金約14%至22.5%供款，除該等供款外，毋須支付任何實際退休金或退休後福利。該等國家資助退休計劃須負責向退休僱員支付全部退休金。

- (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 Mainland China, the Group contributes to state-sponsored retirement plans for its employees in 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.

Notes to the Financial Statements 財務報表附註

22. 僱用成本 (續)

(b) 董事及高級管理人員酬金

截至二零零六年三月三十一日止年度
各董事之薪酬載列如下：

22. EMPLOYMENT COSTS (Cont'd)

(b) Directors' and senior management's emoluments

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

		袍金 Fees 千港元 HK\$'000	薪金 Salaries 千港元 HK\$'000	退休計劃之 僱主供款 Employer's contribution to retirement scheme 千港元 HK\$'000	總額 Total 千港元 HK\$'000
執行董事		Executive directors			
Göran Sture Malm 先生 (i)	Mr. Göran Sture Malm (i)	309	103	8	420
周勝南先生 (i)	Mr. Savio Chow Sing Nam (i)	93	593	8	694
Henry Cho Kim 先生 (i)	Mr. Henry Cho Kim (i)	93	250	8	351
姚祖輝先生	Mr. Andrew Yao Cho Fai	93	—	5	98
符氣清先生	Mr. Desmond Fu Hay Ching	—	514	—	514
非執行董事		Non-executive director			
David Michael Faktor 先生 (ii)	Mr. David Michael Faktor (ii)	17	—	—	17
獨立非執行董事		Independent non-executive directors			
馬景煊先生	Mr. Philip Ma King Huen	97	—	—	97
譚競正先生	Mr. Kenny Tam King Ching	121	—	—	121
關治平先生 (i)	Mr. Edgar Kwan Chi Ping (i)	93	—	—	93
黃英豪先生 (ii)	Mr. Kennedy Wong Ying Ho (ii)	17	—	—	17
		933	1,460	29	2,422

(i) 於二零零五年八月九日獲委任

(i) Appointed on 9th August 2005

(ii) 於二零零五年八月九日辭任

(ii) Resigned on 9th August 2005

Notes to the Financial Statements 財務報表附註

22. 僱用成本 (續)

(b) 董事及高級管理人員酬金 (續)

截至二零零五年三月三十一日止年度
各董事之薪酬載列如下：

22. EMPLOYMENT COSTS (Cont'd)

(b) Directors' and senior management's emoluments (Cont'd)

The remuneration of every director for the year ended 31st
March 2005 is set out below:

		袍金 Fees 千港元 HK\$'000	薪金 Salary 千港元 HK\$'000	退休計劃之 僱主供款 Employer's contribution to pension 千港元 HK\$'000	總額 Total 千港元 HK\$'000
執行董事	Executive directors				
姚祖輝先生	Mr. Andrew Yao Cho Fai	—	—	—	—
符氣清先生	Mr. Desmond Fu Hay Ching	—	1,855	—	1,855
姚潔莉女士 (iii)	Ms. Miriam Yao Che Li (iii)	—	—	—	—
非執行董事	Non-executive director				
David Michael Faktor 先生	Mr. David Michael Faktor	10	—	—	10
時大鯤先生 (iv)	Mr. Daniel Takuen Shih (iv)	1	—	—	1
獨立非執行董事	Independent non-executive directors				
馬景煊先生	Mr. Philip Ma King Huen	10	—	—	10
譚競正先生	Mr. Kenny Tam King Ching	40	—	—	40
黃英豪先生	Mr. Kennedy Wong Ying Ho	10	—	—	10
		71	1,855	—	1,926

(iii) 於二零零四年六月三十日辭任

(iii) Resigned on 30th June 2004

(iv) 於二零零四年四月二十九日辭任

(iv) Resigned on 29th April 2004

Notes to the Financial Statements 財務報表附註

22. 僱用成本 (續)

(c) 五名最高薪人士

本集團於本年度內酬金最高之五名人士包括3名(二零零五年：1名)董事，其酬金已於上文呈報之分析中反映。應付予其餘2名(二零零五年：4名)人士之酬金如下：

22. EMPLOYMENT COSTS (Cont'd)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including 3 (2005: 1) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 (2005: 4) individuals during the year are as follows:

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
基本薪金及津貼	Basic salaries and allowances	1,304	2,191
花紅	Bonuses	491	—
退休計劃之僱主供款	Employer's contributions to retirement scheme	12	24
		1,807	2,215

此等酬金在下列組合範圍內：

The emoluments fell within the following bands:

		二零零六年 2006	二零零五年 2005
零至1,000,000港元	Nil to HK\$1,000,000	1	4
1,000,001港元至2,000,000港元	HK\$1,000,001 to HK\$2,000,000	1	—
		2	4

Notes to the Financial Statements 財務報表附註

23. 財務費用

23. FINANCE COSTS

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
利息支出	Interest expense		
— 須於五年內全數償還之 銀行貸款利息	— Interest on bank loans wholly repayable within five years	1,112	1,676
— 應付一間關連公司 款項之利息	— Interest on amount due to a related company	1,154	3,380
— 於五年後可予贖回之 可換股債券(附註17)	— Convertible bonds redeemable after five years (Note 17)	1,030	—
		3,296	5,056

24. 所得稅(撥回)/支出

24. INCOME TAX (CREDIT)/EXPENSE

本公司獲豁免繳納百慕達稅項直至二零一六年。由於本集團於截至二零零六年三月三十一日止年度內並無須繳納香港利得稅之應課稅溢利，故並無就香港利得稅作出撥備(二零零五年：無)。多間於中國內地成立之附屬公司須按介乎15%至33%之稅率(二零零五年：15%至33%)繳納中國內地企業所得稅。海外(香港及中國內地除外)稅項乃就本年度之估計應課稅溢利按本集團經營所在國家之現行適用稅率計算。

The Company is exempted from taxation in Bermuda until 2016. No provision for Hong Kong profits tax has been provided as the Group had no assessable profit subject to Hong Kong profits tax for the year ended 31st March 2006 (2005: Nil). Subsidiaries established in Mainland China are subjected to Mainland China enterprise income tax at rates ranging from 15% to 33% (2005: 15% to 33%). 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.

Notes to the Financial Statements 財務報表附註

24. 所得稅(撥回)/支出(續)

於綜合收益表中(撥回)/支出之所得稅包括：

當期稅項
中國內地企業
所得稅
— (撥回)/撥備
— 遞延稅項

24. INCOME TAX (CREDIT)/EXPENSE (Cont'd)

The amounts of income tax (credit)/expense charged to the consolidated income statement represent:

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
Current taxation			
Mainland China enterprise income tax			
— (Write-back)/provision		(5,007)	1,463
— Deferred taxation		—	4,483
		(5,007)	5,946

本集團之除稅前虧損之稅項與按照適用於本集團虧損之加權平均稅率計算之理論金額之差異如下：

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

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
除所得稅前虧損	Loss before income tax	(16,995)	(4,497)
按適用於有關地點/國家虧損之加權平均當地稅率計算之稅項	Tax calculated at the weighted average domestic tax rates applicable to losses in the respective places/countries	(1,634)	(308)
影響	Effect of		
— 無須課稅之收入	— income not subject to tax	27	(36)
— 不可扣稅之支出	— expenses not deductible for tax	1	338
— 未確認之遞延稅項資產	— deferred tax assets not recognised	1,606	2,043
— 撥回以前已確認之遞延稅項資產	— reversal of previously recognised deferred tax assets	—	4,483
— 過往數年度之高估撥備	— overprovisions in prior years	(5,007)	(574)
稅項(撥回)/支出	Tax (credit)/expense	(5,007)	5,946

Notes to the Financial Statements 財務報表附註

24. 所得稅(撥回)/支出(續)

於截至二零零六年三月三十一日止年度，適用加權平均稅率約為9.6%(二零零五年：6.8%)。適用加權平均稅率之變動乃主要由於各集團公司於不同稅務司法權區及繳交不同稅率，以致溢利/虧損分佈有所變更所致。

25. 本公司權益持有人應佔虧損

計入本公司之財務報表之本公司權益持有人應佔虧損為25,638,000港元(二零零五年：5,951,000港元)。

26. 每股(虧損)

截至二零零六年三月三十一日止年度之每股基本虧損，乃分別根據年內綜合股東應佔虧損約11,988,000港元(二零零五年：10,443,000港元)及已發行股份之加權平均數67,582,000股(二零零五年：15,964,000股)已反映將每100股合併為1股)計算。

24. INCOME TAX (CREDIT)/EXPENSE (Cont'd)

For the year ended 31st March 2006, the weighted average applicable tax rate was approximately 9.6% (2005: 6.8%). The change in weighted average applicable tax rates is mainly caused by a change in the distribution of the profit/loss among the group companies in different tax jurisdictions and with different tax rates.

25. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$25,638,000 (2005: HK\$5,951,000).

26. (LOSS) PER SHARE

The calculations of basic loss per share for the year ended 31st March 2006 were based on the consolidated loss attributable to shareholders of approximately HK\$11,988,000 (2005: HK\$10,443,000) and on the weighted average number of 67,582,000 shares (2005: 15,964,000 shares — after reflecting the consolidation of 100 shares into 1 share) in issue during the year.

Notes to the Financial Statements 財務報表附註

27. 現金流量表

27. CASH FLOW STATEMENTS

(a) 營運所產生之現金

(a) Cash generated from operations

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
除稅前虧損	Loss before taxation	(16,995)	(4,497)
利息收入	Interest income	(1,707)	(580)
利息支出	Interest expense	3,296	5,056
股息收入	Dividend income	—	(659)
廠房及設備折舊	Depreciation of plant and equipment	373	1,016
出售廠房及設備之虧損	Loss on disposal of plant and equipment	23	87
網站開發成本攤銷	Amortisation of website development costs	15	27
出售附屬公司之淨(收益)/虧損	(Gain)/Loss on disposal of subsidiaries, net	(98)	63
出售投資之淨收益	Gain on disposal of investments, net	—	(911)
申索撥備撥回	Write-back of provision for claim	(2,977)	—
營運資金變動前之經營虧損	Operating loss before working capital changes	(18,070)	(398)
存貨減少	Decrease in inventories	56,961	35,850
購貨按金(增加)/減少	(Increase)/decrease in deposits for purchase of inventories	(44,128)	5,749
貿易應收款項(增加)/減少	(Increase)/decrease in trade receivables	(798)	23,914
預付款項、按金及其他應收款項減少	Decrease in prepayments, deposits and other receivables	10,788	5,876
貿易應付款項減少	Decrease in trade payables	(57,128)	(148,697)
其他應付款項及應計負債增加	Increase in other payables and accruals	37,780	14,361
預收款項增加	Increase in receipts in advance	8,276	11,182
匯兌調整	Translation adjustments	291	(86)
營運所產生之現金流出淨額	Net cash outflow generated from operations	(6,028)	(52,249)

(b) 於現金流量表內，出售廠房及設備之所得款項包括：

(b) In the cash flow statement, proceeds from sales of plant and equipment comprise:

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
賬面淨值(附註6)	Net book amount (Note 6)	38	216
出售廠房及設備之虧損	Loss on sales of plant and equipment	(23)	(87)
出售廠房及設備之所得款項	Proceeds from sales of plant and equipment	15	129

Notes to the Financial Statements 財務報表附註

27. 現金流量表 (續)

27. CASH FLOW STATEMENTS (Cont'd)

(c) 出售附屬公司之溢利／(虧損)

(c) Profit/(loss) on disposal of subsidiaries

出售資產淨額：

Net assets disposed of:

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
廠房及設備	Plant and equipment	635	469
長期投資	Long-term investment	780	—
存貨	Inventories	11,576	296
購貨按金	Deposits for purchase of inventories	71,515	56,186
預付款項、按金及其他應收款項	Prepayments, deposits and other receivables	—	501
貿易應收款項	Trade receivables	4,660	3,302
現金及現金等值項目	Cash and cash equivalents	11,042	2,890
應付賬款及票據	Accounts and bills payable	(26,974)	(14,730)
應計負債及其他應付款項	Accruals and other payables	(55,743)	(9,519)
預收款項	Receipts in advance	(12,740)	(35,991)
應繳稅項	Taxation payable	(4,653)	(311)
資產淨額	Net assets	98	3,093
總代價	Total consideration	98	3,030
		—	(63)
變現累計匯兌調整	Realisation of cumulative translation adjustments	98	—
出售之(收益)／虧損	Gain/(loss) on disposal	98	(63)
以下列各項作交易：	Satisfied by:		
其他應收款項 (i)	Other receivables (i)	98	1,536
現金	Cash	—	1,494
		98	3,030
現金流量分析：	Analysis of cash flows:		
以現金收取之購買代價	Purchase consideration received in cash	—	1,494
出售現金及現金等值項目	Cash and cash equivalents disposed	(11,042)	(2,890)
收回上年度應收款項 (i)	Receipt of prior year receivable (i)	1,536	—
		(9,506)	(1,396)

(i) 尚未清還之購買代價已計入其他應收款項，並已於其後清還。

(i) The outstanding purchase consideration was included as other receivables and was settled subsequently.

Notes to the Financial Statements 財務報表附註

28. 認股權證

於二零零二年五月二十三日，本公司無償發行約312,900,000份認股權證給予其股東，基準為每持有五股本公司普通股將獲發一份認股權證。認股權證賦予持有人權利，可按每股0.10港元(可予調整)以現金認購每股面值0.10港元之普通股，並可於二零零二年六月十八日至二零零五年六月十七日內行使。截至二零零六年三月三十一日止年度內，298,000份認股權證(二零零五年：206,000份認股權證)已獲行使以認購本公司298,000股股份(二零零五年：206,000股股份)，代價約為30,000港元(二零零五年：21,000港元)。所有於二零零五年六月十七日尚未行使之認股權證均已到期。

29. 購股權

根據股東於二零零零年四月十三日批准本公司之購股權計劃(「舊計劃」)條款，董事會可酌情邀請本公司或本集團任何成員公司之任何全職僱員(包括任何執行董事)接納購股權，以認購股份。舊計劃已於二零零二年六月十日終止，而本公司於二零零二年六月十日已採納一項新購股權計劃(「新計劃」)以取代舊計劃。所有根據舊計劃授出之購股權仍然有效，並可按舊有條款行使。

28. WARRANTS

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 (2005: 206,000 warrants) were exercised to subscribe for 298,000 shares (2005: 206,000 shares) of the Company at a consideration of approximately HK\$30,000 (2005: HK\$21,000). All the outstanding warrants at 17th June 2005 were expired.

29. SHARE OPTIONS

According to the terms of the Company's share option scheme approved by the shareholders on 13th April 2000 (the "Old Scheme"), the Board may at their discretion, invite any full-time employees of the Company or any of the companies of the Group, including any executive Directors, to take up options to subscribe for shares. The Old Scheme was terminated on 10th June 2002 and a new share option scheme was adopted by the Company on 10th June 2002 (the "New Scheme") to replace the Old Scheme, with all options granted under the old scheme continue to be valid and exercisable in accordance with the old terms.

Notes to the Financial Statements 財務報表附註

29. 購股權 (續)

購股權之變動詳情如下：

29. SHARE OPTIONS (Cont'd)

Details of movement in the share options were as follows:

姓名 Name	授出日期 Date of grant	每股行使價 Exercise price per share	未獲准行使期 Vesting period	行使期 Exercise period	購股權數目 Number of options			
					年初 Beginning of year 千份 '000	年內 失效 Lapsed during the year 千份 '000	年內註銷 Cancelled during the year 千份 '000	年終 End of year 千份 '000
舊計劃 Old Scheme								
董事： Directors:								
姚祖輝先生 Mr. Andrew Yao Cho Fai	二零零零年 十一月七日 7th November 2000	0.485港元 HK\$0.485	二零零零年十一月七日 至二零零一年十一月七日 7th November 2000 to 7th November 2001	二零零一年十一月八日至 二零零一年四月十二日 8th November 2001 to 12th April 2010	5,000	—	(5,000)	—
符氣清先生 Mr. Desmond Fu Hay Ching	二零零零年 七月三日 3rd July 2000	0.360港元 HK\$0.360	二零零零年七月三日 至二零零一年九月三十日 3rd July 2000 to 30th September 2001	二零零一年十月一日至 二零零一年四月十二日 1st October 2001 to 12th April 2010	250	—	(250)	—
	二零零零年 十一月七日 7th November 2000	0.485港元 HK\$0.485	二零零零年十一月七日 至二零零一年十一月七日 7th November 2000 to 7th November 2001	二零零一年十一月八日至 二零零一年四月十二日 8th November 2001 to 12th April 2010	11,500	—	(11,500)	—
僱員： Employees:								
共計 In aggregate	二零零零年 七月三日 3rd July 2000	0.360港元 HK\$0.360	二零零零年七月三日至 二零零一年九月三十日 3rd July 2000 to 30th September 2001	二零零一年十月一日至 二零零一年四月十二日 1st October 2001 to 12th April 2010	12,100	(500)	(11,600)	—
共計 In aggregate	二零零零年 十一月七日 7th November 2000	0.485港元 HK\$0.485	二零零零年十一月七日至 二零零一年十一月七日 7th November 2000 to 7th November 2001	二零零一年十一月八日至 二零零一年四月十二日 8th November 2001 to 12th April 2010	25,900	(1,500)	(24,400)	—
					54,750	(2,000)	(52,750)	—
新計劃 New Scheme								
共計 In aggregate					—	—	—	—
					54,750	(2,000)	(52,750)	—

於二零零五年七月十四日舉行之本公司股東特別大會上，本公司議決註銷52,750,000份尚未行使之購股權。

At the Company's special general meeting held on 14th July 2005, the Company resolved to cancel the 52,750,000 outstanding options.

Notes to the Financial Statements 財務報表附註

30. 或然負債

於二零零六年三月三十一日，本公司已就銀行向一間附屬公司提供之銀行融資提供公司擔保約 6,600,000 港元（二零零五年：88,725,000 港元）。於二零零六年三月三十一日，概無尚未償還之銀行借貸（二零零五年：24,360,000 港元）。本公司之董事及本集團之管理層預期不會因該擔保（來自日常業務過程），而產生重大負債。

31. 銀行融資

於二零零六年三月三十一日，本集團來自一間銀行之貸款及貿易融資之銀行融資約為 6,000,000 港元（二零零五年：88,125,000 港元）。於二零零六年三月三十一日，該融資並無獲本集團動用（二零零五年：63,765,000 港元已動用）。該融資以下列方式作抵押：

- (i) 本集團之已抵押銀行存款約 3,055,000 港元（二零零五年：16,080,000 港元）；及
- (ii) 本公司提供之擔保（附註 30）。

30. CONTINGENT LIABILITIES

As at 31st March 2006, the Company had provided a corporate guarantee of approximately HK\$6,600,000 (2005: HK\$88,725,000) with respect to a banking facility made available to a subsidiary. As at 31st March 2006, no bank borrowings were outstanding (2005: HK\$24,360,000). The Company's directors and the Group's management anticipate that no material liabilities will arise from such guarantee which arose in the ordinary course of business.

31. BANKING FACILITIES

As at 31st March 2006, the Group had a banking facility of approximately HK\$6,000,000 (2005: HK\$88,125,000) from a bank for loans and trade financing. As at 31st March 2006, this facility was not utilised by the Group (2005: HK\$63,765,000 was utilised). This facility was secured by:

- (i) pledge of the Group's bank deposits of approximately HK\$3,055,000 (2005: HK\$16,080,000); and
- (ii) guarantee provided by the Company (note 30).

Notes to the Financial Statements 財務報表附註

32. 承擔 – 營業租約

於二零零六年三月三十一日，本集團根據多項延期至二零零八年三月之營業租約之租賃承擔約為1,841,000港元（二零零五年：1,027,000港元）。未來應付之最低租金總額分析如下：

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
未逾一年	Not later than one year	937	705
逾一年及未逾五年	Later than one year and not later than five years	904	322
		1,841	1,027

33. 與關連人士之交易

於二零零六年三月三十一日，本公司由North Asia Strategic Acquisition Corp.（「NASAC」，於開曼群島註冊成立之公司）、曾國泰先生（NASAC之最終控股公司Ajia Partners Inc.之股東）及其關連人士，以及Van Shung Chong (B.V.I.) Limited（由萬順昌集團有限公司全資擁有）及其關連人士分別有約46.1%、約21.1%及約11.06%。NASAC及曾國泰先生由二零零五年八月九日起收購其於本公司之權益。

倘有一方能直接或間接控制另一方或可對另一方在作出財務或經營之決定時實施重大影響者，則被視為關連人士。倘各方均受共同控制或受共同重大影響，則亦被視為關連人士。

32. COMMITMENTS — OPERATING LEASES

As at 31st March 2006, the Group had rental commitments of approximately HK\$1,841,000 (2005: HK\$1,027,000) under various operating leases extending to March 2008. Total future minimum lease payments payable is analysed as follows:

33. RELATED PARTY TRANSACTIONS

As at 31st March 2006, the Company was owned as to approximately 46.1% by North Asia Strategic Acquisition Corp. (“NASAC”), a company incorporated in the Cayman Islands, as to approximately 21.1% by Mr. Moses Tsang Kwok Tai (a shareholder of Ajia Partners Inc., the ultimate holding company of NASAC) and his related parties, and as to approximately 11.06% by Van Shung Chong (B.V.I.) Limited (wholly owned by Van Shung Chong Holdings Limited) and its related parties. NASAC and Mr. Moses Tsang Kwok Tai acquired their interest in the Company effective from 9th August 2005.

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.

Notes to the Financial Statements 財務報表附註

33. 與關連人士之交易

(a) 以下為與關連人士進行之重大交易概要：

33. RELATED PARTY TRANSACTIONS

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

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
關連人士名稱／交易性質	Name of related party/Nature of transaction		
萬順昌行有限公司 (i) — 本集團作出之購貨	Van Shung Chong Hong Limited (i) — Purchases made by the Group	220,257	339,246
— 由本集團取得之採購服務佣金	— Commission from procurement services earned by the Group	—	2,221
— 向本集團收取之利息	— Interest charged to the Group	1,154	3,380
— 向本集團收取之行政服務費用	— Administrative services fees charged to the Group	30	360
祖盛企業有限公司 (i) — 向本集團收取之租金費用	CFY Enterprises Limited (i) — Rental expense charged to the Group	13	162
— 向本集團收取之差餉、管理費及水電費用	— Rates, management fees and utilities charged to the Group	9	—
Ajia Partners (HK) Limited (ii) — 向本集團收取之租金費用	Ajia Partners (HK) Limited (ii) — Rental expense charged to the Group	583	—
— 向本集團收取之行政服務費	— Administrative services fee charged to the Group	598	—
North Asia Strategic Advisors (iii) — 向本集團收取之配售費	North Asia Strategic Advisors (iii) — Placement fee charged to the Group	7,800	—

Notes to the Financial Statements 財務報表附註

33. 與關連人士之交易 (續)

(a) (續)

附註：

- (i) 萬順昌行有限公司及祖盛企業有限公司乃由Van Shung Chong (B.V.I) Limited全資擁有及控制。
- (ii) Ajia Partners (HK) Limited為North Asia Strategic Acquisition Corp. (「NASAC」)之同系附屬公司，並與曾國泰先生一致行動。
- (iii) North Asia Strategic Advisors (「NASA」)為NASAC之控股公司。

本集團與Ajia Partners (HK) Limited (「APHK」)訂立行政服務協議，據此，APHK同意向本集團提供一般行政服務，自二零零五年八月九日起至二零零六年六月三十日為止，每月服務費約為77,000港元。此外，本集團與APHK訂立分租協議，以租賃辦公室空間，自二零零五年八月九日起至二零零八年三月三十一日為止，每月租金約為75,000港元。

(b) 購買貨品或服務所產生之年終結餘：

33. RELATED PARTY TRANSACTIONS (Cont'd)

(a) (Cont'd)

Notes:

- (i) Van Shung Chong Hong Limited and CFY Enterprises Limited are wholly owned and controlled by Van Shung Chong (B.V.I) Limited.
- (ii) Ajia Partners (HK) Limited is a fellow subsidiary of North Asia Strategic Acquisition Corp. ("NASAC") and associated with Mr. Moses Tsang Kwok Tai.
- (iii) North Asia Strategic Advisors ("NASA") is the holding company of NASAC.

The Group entered into an administrative services agreement with Ajia Partners (HK) Limited ("APHK"), under which APHK has agreed to provide general administrative services to the Group during the period from 9th August 2005 to 30th June 2006, at a monthly service fee of approximately HK\$77,000. 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.

(b) Year end balances arising from purchases of goods or services:

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
關連人士名稱	Name of related company		
萬順昌行有限公司 (i)	Van Shung Chong Hong Limited (i)	36,916	118,843

(i) 結餘為無抵押，須按正常信貸條款償還及逾期結餘須按商業借貸利率繳付利息。

(i) The balance is unsecured, repayable within ordinary credit term and bore interest at commercial lending rates for overdue balances.

Notes to the Financial Statements 財務報表附註

33. 與關連人士之交易 (續)

- (c) 與附屬公司之結餘(僅呈列本公司之財務報表)

應收及應付附屬公司之款項為無抵押、不計息且未確定還款期。

- (d) 於截至二零零六年三月三十一日止年度內，本集團以代價8港元出售資產淨值為0港元(包括資產總值約780,000港元減負債總額約780,000港元)之附屬公司予Van Shung Chong (B.V.I.) Limited。

- (e) 主要管理人員酬金：

33. RELATED PARTY TRANSACTIONS (Cont'd)

- (c) Balance with subsidiaries (Company-only financial statements)

The amounts with subsidiaries are unsecured, non-interest bearing and without pre-determined repayment terms.

- (d) During the year ended 31st March 2006, the Group disposed subsidiaries with zero net asset value (comprising total assets of approximately HK\$780,000 less total liabilities of approximately HK\$780,000) to Van Shung Chong (B.V.I.) Limited at a consideration of HK\$8.

- (e) Key management compensation:

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
薪金及津貼	Salaries and allowances	3,843	2,191
退休福利 — 界定供款計劃	Retirement benefits — defined contribution scheme	12	24
		3,855	2,215

34. 遞延稅項

遞延稅項乃按負債法採用主要稅率17.5%(二零零五年：17.5%)就暫時差異全數計算。

遞延稅項資產(主要來自累計稅項虧損)之變動如下：

34. DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

The movement on the deferred tax assets, arising from cumulative tax losses, is as follows:

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
年初結餘	Balance at beginning of year	—	4,483
年內遞延稅項撥回	Deferred taxation credit for the year	—	(4,483)
年終結餘	Balance at end of year	—	—

Notes to the Financial Statements 財務報表附註

34. 遞延稅項 (續)

於二零零六年三月三十一日，本集團之未確認遞延稅項資產約25,200,000港元(二零零五年：22,734,000港元)，主要來自累計稅項虧損(須受有關稅務機構同意)之稅務影響，該金額可以無限期結轉。

35. 結算日後事項

在年結日後，於二零零六年五月二十六日，本公司與Autron Corporation Limited (「Autron」)訂立不具法律約束力條款文件，可能對Autron之新股份及可換股債券合共投資最多約372,000,000港元(相等於約48,000,000美元)。Autron為電子製造業中組裝設備解決方案之主要供應商，並於新加坡及澳洲兩所證券交易所主板上市。截至本報告日期，對Autron作出之盡職審查仍在進行中，惟本公司並無與Autron訂立任何落實投資協議。

34. DEFERRED TAXATION (Cont'd)

As at 31st March 2006, the Group has unrecognised deferred tax assets of approximately HK\$25,200,000 (2005: HK\$22,734,000), primarily representing the tax effect of cumulative tax losses (subject to agreement by relevant tax authorities) which can be carried forward indefinitely.

35. SUBSEQUENT EVENT

Subsequent to the year end, on 26th May 2006, the Company entered into a non-legally binding term sheet with Autron Corporation Limited ("Autron"), a leading assembly equipment solutions provider to the electronics manufacturing industry and listed on the Main Boards of both the Singapore and Australian Stock Exchanges, for a possible investment in its new shares and convertible bonds totaling up to approximately HK\$372 million (equivalent of approximately US\$48 million). As at the date of this report, due diligence on Autron is in progress but the Company has not entered into any definitive investment agreements with Autron.

